

SEVENTY-EIGHTH DAY

St. Paul, Minnesota, Tuesday, March 29, 1988

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. Fred Stroebel.

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

Adkins	Davis	Jude	Metzen	Renneke
Anderson	Decker	Knaak	Moe, D.M.	Samuelson
Beckman	DeCramer	Knutson	Moe, R.D.	Schmitz
Belanger	Dicklich	Kroening	Morse	Solon
Benson	Diessner	Laidig	Novak	Spear
Berg	Frank	Langseth	Olson	Storm
Berglin	Frederick	Lantry	Pehler	Stumpf
Bernhagen	Frederickson, D.J.	Larson	Peterson, D.C.	Taylor
Bertram	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brandl	Freeman	Luther	Piper	Waldorf
Brataas	Gustafson	Marty	Pogemiller	Wegscheid
Chmielewski	Hughes	McQuaid	Purfeerst	
Cohen	Johnson, D.E.	Mehrkens	Ramstad	
Dahl	Johnson, D.J.	Merriam	Reichgott	

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. 1861: A bill for an act relating to health maintenance organizations; insurance; requiring replacement coverage in the event an HMO cancels coverage; increasing state comprehensive health plan liabilities in the event a member terminates coverage; increasing health maintenance organization notice requirements and annual reporting requirements; amending Minnesota Statutes 1986, sections 62D.07; 62D.08, subdivision 5; 62D.09; 62D.101; 62D.11; 62D.12, subdivision 2, and by adding a subdivision; 62D.17, subdivision 1; 62E.11, by adding subdivisions; 62E.14, subdivisions 1, 3, and by adding a subdivision; 62E.16; Minnesota Statutes

1987 Supplement, sections 62A.17, subdivision 6; and 62D.08, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 62D; repealing Laws 1984, chapter 464, sections 29 and 40.

Senate File No. 1861 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 28, 1988

Mr. Pehler moved that the Senate do not concur in the amendments by the House to S.F. No. 1861, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

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

S.F. No. 2565: A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; amending Minnesota Statutes 1986, section 84B.11, subdivision 2.

Senate File No. 2565 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 28, 1988

Mr. Merriam moved that the Senate do not concur in the amendments by the House to S.F. No. 2565, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 1493 and 2126.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 28, 1988

FIRST READING OF HOUSE BILLS

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

H.F. No. 1493: A bill for an act relating to civil law; deleting the minimum percentage amount for interest on judgments; altering the application of joint and several liability; providing for payment of future damages; amending Minnesota Statutes 1986, section 604.02, subdivision 1; Minnesota

Statutes 1987 Supplement, section 549.09, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 549; repealing Minnesota Statutes 1986, section 604.07.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1675, now on General Orders.

H.F. No. 2126: A bill for an act relating to the organization and operation of state government; appropriating money for human resources and other purposes with certain conditions; amending Minnesota Statutes 1986, sections 3.9223, subdivision 3; 3.9225, subdivision 3; 3.9226, subdivision 3; 62A.54; 62E.04, by adding subdivisions; 129A.02, subdivision 3; 129A.09; 129A.10; 144.053, by adding subdivisions; 144.125; 144A.04, by adding a subdivision; 145.853, subdivision 2; 145.894; 245.771, by adding a subdivision; 245.814, subdivisions 1, 2, and 3; 245.83; 245.84, subdivision 1; 246.023; 248.07, subdivision 7 and 12; 252.291, subdivisions 1 and 2; 256.73, subdivisions 2, 6, and by adding subdivisions; 256.736, by adding subdivisions; 256.76, subdivision 1; 256B.08; 256B.092, subdivisions 5 and 7; 256B.14, subdivision 2; 256B.17, subdivision 7; 256B.431, by adding subdivisions; 256B.501, subdivision 3, and by adding subdivisions; 256B.69, subdivisions 3 and 4; 256D.02, subdivision 7, and by adding a subdivision; 256D.06, by adding a subdivision; 256D.07; 256D.35, by adding a subdivision; 256D.37, subdivision 2, and by adding subdivisions; 256E.12, subdivisions 1 and 2; 256E.03, subdivision 8; 257.071, subdivisions 2 and 3, and by adding a subdivision; 257.072; 260.181, subdivision 3; 268.0111, by adding a subdivision; 268.911, subdivision 3; 326.371; 462A.05, by adding a subdivision; 462A.21, by adding a subdivision; 609.72, subdivision 1; 611A.32, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 3.922, subdivision 6; 16B.08, subdivision 7; 16B.61, subdivision 3; 62A.152, subdivision 2; 62A.48, subdivision 7; 62A.50, subdivision 3; 62D.102; 129A.01, subdivisions 5, 6, and 7; 129A.03; 129A.06, subdivision 1; 129A.07, subdivision 1; 129A.08, subdivisions 1, 4, and 5, and by adding subdivisions; 144A.071, subdivision 3; 144A.073, subdivisions 1, 2, 7, and 8; 148B.23, subdivision 1; 148B.42, subdivision 1; 245.462, subdivisions 3, 4, 6, 17, 18, 19, 20, 21, 23, and 25; 245.465; 245.466, subdivisions 1, 2, and 5; 245.467, by adding subdivisions; 245.469, subdivision 2; 245.471, subdivisions 2 and 3; 245.472, subdivision 2; 245.475, subdivisions 1 and 2; 245.476, subdivision 1; 245.477; 245.478, subdivisions 1, 2, and 9; 245.479; 245.482, subdivision 2; 245.696, subdivision 2; 245.697, subdivision 2, and by adding a subdivision; 245A.09, by adding a subdivision; 248.07, subdivision 8; 252.291, subdivision 3; 252.46, subdivisions 5 and 6, and by adding subdivisions; 253B.03, subdivision 6; 256.015, subdivision 2; 256.736, subdivisions 1b, 4, and 11; 256.936; 256.969, subdivision 3; 256B.02, subdivision 8; 256B.031, subdivision 5; 256B.042, subdivision 2; 256B.06, subdivisions 1 and 4; 256B.091, subdivision 4; 256B.35, subdivision 1; 256B.431, subdivision 4; 256B.433, subdivision 1; 256B.501, subdivision 1; 256B.73, subdivision 2, and by adding a subdivision; 256D.01, subdivision 1a; 256D.03, subdivision 3; 256D.06, subdivisions 1 and 1b; 256D.37, subdivision 1; 256E.12, subdivision 3; 268.91, subdivisions 1, 3, 3b, 3c, 3e, 4, and 12; 393.07, subdivision 10, and by adding a subdivision; Laws 1984, chapter 654, article 5, section 57, subdivision 1, as amended; Laws 1987, chapter 337, section 131; Laws 1987, chapter 403, article 2, section 34; Laws 1987, chapter 403, article 4, section 13; Laws 1987, chapter 403, article 1, section 4, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 62A; 62C; 62D; 144; 145; 152A; 157; 179A; 245; 246; 252; 256; 256B;

256H; 257; and 268; repealing Minnesota Statutes 1986, sections 136.26; 144.388; 245.84, subdivision 4; 245.86; 245.87; and 257.071, subdivision 6; Minnesota Statutes 1987 Supplement, sections 129A.01, subdivision 8; 129A.07, subdivision 2; 129A.08, subdivision 3; 148B.04, subdivision 1; and 256B.73, subdivision 10.

Mr. Merriam, for Mr. Moe, R.D., moved that H.F. No. 2126 be laid on the table. The motion prevailed.

REPORTS OF COMMITTEES

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

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

S.F. No. 1963: A bill for an act relating to public finance; providing requirements for the issuance and use of public debt; amending Minnesota Statutes 1986, sections 123.36, by adding a subdivision; 410.32; 475.54, by adding a subdivision; 475.67, subdivision 13; Minnesota Statutes 1987 Supplement, sections 469.012, subdivision 1; 469.015, subdivision 4; 469.035; 469.155, subdivision 12; and 475.66, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 469.

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

Page 1, line 13, delete "123.36" and insert "123.35"

Page 2, after line 10, insert:

"Sec. 2. Minnesota Statutes 1986, section 375.83, is amended to read:
375.83 [ECONOMIC AND AGRICULTURAL DEVELOPMENT.]

A county board may appropriate not more than \$50,000 annually out of the general revenue fund of the county to be paid to any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. *The limitation on appropriations in this section does not prohibit accumulation of amounts in excess of \$50,000 in a fund to be used for the purposes of this section.*"

Page 9, line 22, before the comma, insert " , or adjacent and integrally related to"

Pages 9 and 10, delete section 5

Page 10, before line 34, insert:

"Sec. 6. Minnesota Statutes 1987 Supplement, section 469.071, is amended by adding a subdivision to read:

Subd. 5. [EXCEPTION; PARKING FACILITIES.] Notwithstanding section 469.068, the Bloomington port authority need not require competitive bidding with respect to a structured parking facility constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a development and financed with the proceeds of tax increment or revenue bonds."

Page 11, line 29, delete "[469.1551]" and insert "[469.1651]"

Page 11, line 31, before "A" insert "Prior to August 1, 1990,"

Page 11, line 34, delete everything after "nonprofit"

Page 11, delete line 35

Page 11, line 36, delete "of anticipating" and insert "hospitals in anticipation of"

Page 12, line 2, after the period, insert "*The principal amount of the notes or certificates shall not exceed 75 percent of the accounts receivable and third-party reimbursement payments payable to that hospital as of a date within 45 days of the date of issuance. While notes or certificates issued under this section on behalf of an institution are outstanding, additional notes or certificates shall not be issued unless, for the period of 30 consecutive days immediately preceding the date of issuance, the amount of outstanding notes and certificates was less than six percent of that hospital's gross revenues for the preceding fiscal year.*

The municipality need not comply with the procedures set forth in sections 469.152 to 469.165 in the issuance of notes or certificates of indebtedness pursuant to this section, but the municipality shall comply with sections 469.152 to 469.165 at the time of issuance of the refunding obligations if long-term obligations are issued to refund notes or certificates of indebtedness issued pursuant to this section."

Page 13, line 3, delete "six"

Page 13, delete lines 4 and 5

Page 13, line 6, delete everything before "months" and insert "13"

Page 13, line 7, delete "not less than par" and insert "such price as the municipality may agree"

Page 13, after line 11, insert:

"Any note or certificate of indebtedness issued pursuant to this section may be issued giving its owner the right to tender, or the municipality or the borrowing institution to demand tender of, the obligation to the municipality or the institution or another person designated by either of them, for purchase at a specified time or times. The note or certificate of indebtedness shall not be deemed to mature on any tender date, and the purchase of a tendered note or certificate shall not be deemed a payment or discharge of the note or certificate. Notes or certificates of indebtedness tendered for purchase may be remarketed by or on behalf of the municipality or any other purchaser. The municipality or the borrowing institution may enter into agreements deemed appropriate to provide for the purchase and remarketing of tendered notes or certificates of indebtedness, including provisions under which undelivered obligations may be deemed tendered for purchase and new obligations may be substituted for them, provisions for the payment of charges of tender agents, remarketing agents, and financial institutions extending lines of credit or letters of credit assuring repurchase, and for reimbursement of advances under letters of credit, which charges and reimbursements shall be paid by the borrowing institution.

Any notes or certificates of indebtedness issued pursuant to this section may bear interest at a rate varying periodically at the time or times and on the terms, including convertibility to a fixed rate of interest, determined

by the governing body of the municipality.”

Page 14, after line 1, insert:

“Subd. 6. [REPORT.] Within 30 days after issuance of notes or certificates under this section, a municipality must report to the commissioner of health on the issuance. The report must include the name and location of the institution, the principal amount of the note or certificate, and its maturity date.”

Page 14, line 4, after “obligation” insert “in a principal amount of \$25,000,000 or more”

Page 14, after line 19, insert:

“Sec. 10. Minnesota Statutes 1987 Supplement, section 475.60, subdivision 2, is amended to read:

Subd. 2. [REQUIREMENTS WAIVED.] The requirements as to public sale shall not apply to:

(1) obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) obligations sold by an issuer in an amount not exceeding the total sum of \$1,200,000 in any 12-month period;

(3) obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency;

(5) obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, ~~crossover~~ refunding obligations referred to in section 475.67, ~~subdivision 13,~~ and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56; and

(6) obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation.”

Page 14, line 33, after “are in” insert “(i)”

Page 14, line 34, strike “and” and insert “, (ii) general obligation tax-exempt securities rated A or better by a national bond rating service, and (iii)” and after “agreements” insert “or reverse repurchase agreements”

Page 14, line 35, after “agreements” insert “or reverse repurchase agreements”

Page 15, line 4, after the second “or” insert “in general obligations of other state and local governments with taxing powers which are rated A or better by a national bond rating service.”

Page 15, line 5, after the comma, insert "*or (3) a general obligation of a housing finance agency of any state if it includes a moral obligation of the state,*"

Page 15, line 6, strike "(2)" and insert "(3) *must be in obligations that are rated the highest or next highest rating given by Standard & Poor's Corporation or Moody's Investors Service, Inc., and*"

Page 15, line 7, strike "1990" and insert "1991"

Page 15, line 8, after "years" insert "*from the date of purchase, and further provided that investments under clauses (2) and (3) be determined to be expedient to reduce the amount of arbitrage rebate otherwise payable to the United States under section 148 of the Internal Revenue Code of 1986*"

Page 15, delete lines 14 to 20 and insert:

"(f) in guaranteed investment contracts issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies or their Canadian or United States subsidiaries; provided that the investment contracts rank on a parity with the senior unsecured debt obligations of the issuer or guarantor and, in the case of long-term investment contracts, the long-term senior unsecured debt of the issuer or guarantor is rated in the highest or next highest rating category of Standard & Poor's Corporation, Moody's Investors Service, Inc., or a similar nationally recognized rating agency or, in the case of short-term investment contracts, the short-term unsecured debt of the issuer or guarantor is rated in the two highest rating categories of Standard and Poor's Corporation, Moody's Investors Service, Inc., or similar nationally recognized rating agency."

Page 16, line 7, delete the comma and insert "or"

Page 16, line 8, delete ", or other corporation"

Page 16, after line 35, insert:

"Sec. 13. [REPEALER.]

Laws 1987, chapter 358, section 31, is repealed."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 4, delete "123.36" and insert "123.35"

Page 1, line 5, after the first semicolon, insert "375.83;"

Page 1, line 8, delete "469.035;" and insert "469.071, by adding a subdivision;" and after "12;" insert "475.60, subdivision 2;"

Page 1, line 10, before the period, insert "; repealing Laws 1987, chapter 358, section 31"

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

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

S.F. No. 105: A bill for an act relating to taxation; permitting counties to impose a special levy for payments to soil and water conservation districts; amending Minnesota Statutes 1986, section 275.50, 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 1987 Supplement, section 275.50, subdivision 5, is amended to read:

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

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

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

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

(d) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. Except for the costs of general assistance as defined in

section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year;

(e) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(f) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(g) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(h) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(i) pay the amounts required to compensate for a decrease in manufactured homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 274.19, subdivision 8, as amended, is less than the distribution of the manufactured homes tax to the governmental subdivision pursuant to Minnesota Statutes 1969, section 273.13, subdivision 3, in calendar year 1971;

(j) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(k) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(l) pay the increased cost of municipal services as the result of an annexation or consolidation ordered by the Minnesota municipal board but only to the extent and for the levy years as provided by the board in its order pursuant to section 414.01, subdivision 15. Special levies authorized by the board shall not exceed 50 percent of the levy limit base of the governmental subdivision and may not be in effect for more than three years after the board's order;

(m) pay the increased costs of municipal services provided to new private industrial and nonresidential commercial development, to the extent that the extension of such services are not paid for through bonded indebtedness

or special assessments, and not to exceed the amount determined as follows. The governmental subdivision may calculate the aggregate of:

(1) the increased expenditures necessary in preparation for the delivering of municipal services to new private industrial and nonresidential commercial development, but limited to one year's expenditures one time for each such development;

(2) the amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.

The aggregate of the foregoing amounts, less any costs of extending municipal services to new private industrial and nonresidential commercial development which are paid by bonded indebtedness or special assessments, equals the maximum amount that may be levied as a "special levy" for the increased costs of municipal services provided to new private industrial and nonresidential commercial development. In the levy year following the levy year in which the special levy made pursuant to this clause is discontinued, one-half of the amount of that special levy made in the preceding year shall be added to the permanent levy base of the governmental subdivision;

(n) recover a loss or refunds in tax receipts incurred in nonspecial levy funds resulting from abatements or court action in the previous year pursuant to section 275.48;

(o) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(p) the amounts allowed under section 174.27 to establish and administer a commuter van program;

(q) pay the costs of financial assistance to local governmental units and certain administrative, engineering, and legal expenses pursuant to Laws 1979, chapter 253, section 3;

(r) compensate for revenue lost as a result of abatements or court action

pursuant to section 270.07, 270.17 or 278.01 due to a reassessment ordered by the commissioner of revenue pursuant to section 270.16;

(s) pay the total operating cost of a county jail as authorized in section 641.01. If the county government utilizes this special levy, then any amount levied by the county government in the previous year for operating its county jail and included in its previous year's levy limitation computed pursuant to section 275.51 shall be deducted from the current levy limitation;

(t) pay the costs of implementing section 18.023, including sanitation and reforestation;

(u) pay the estimated cost for the following calendar year of the county's share of funding the Minnesota cooperative soil survey;

(v) pay the costs of meeting the planning requirements of section 115A.46; the requirements of section 115A.917; the planning requirements of the metropolitan plan adopted under section 473.149 and county master plans adopted under section 473.803; waste reduction and source separation programs and facilities; response actions that are financed in part by service charges under section 400.08 or 115A.15, subdivision 6; closure and postclosure care of a solid waste facility closed by order of the pollution control agency or by expiration of an agency permit before January 1, 1989; and current operating and maintenance costs of a publicly-owned solid waste processing facility financed with general obligation bonds issued after a referendum before March 25, 1986;

(w) pay the annual principal and interest due on a loan made under section 116J.37;

(x) pay the annual principal and interest due on a loan from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations; ~~and~~

(y) pay the costs of constructing public libraries; *and*

(z) fund the county's share of soil and water conservation district expenses for which a levy is imposed under section 40.07, subdivision 15, provided that a special levy under this paragraph may not exceed one mill.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective for taxes levied in 1988, payable in 1989, and thereafter."

Amend the title as follows:

Page 1, line 5, delete "1986" and insert "1987 Supplement"

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

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

S.F. No. 765: A bill for an act relating to local government; granting the city of Cannon Falls the authority to establish a port authority; authorizing the port authority to exercise the power of a municipal housing and redevelopment authority; authorizing the city to impose restrictions and limitations upon the powers and procedures of the port authority; permitting the city to choose the name of the port authority; providing for removal of

port authority commissioners; requiring local approval.

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

Page 1, line 18, delete "458.09" and insert "469.049"

Page 1, line 20, delete "*chapter 462*" and insert "*sections 469.001 to 469.047*"

Page 1, line 22, delete "472A.10" and insert "469.131"

Page 1, line 28, delete "*chapter 458*" and insert "*sections 469.048 to 469.068*"

Page 2, line 2, delete "*chapter 462*" and insert "*sections 469.001 to 469.047*"

Page 2, lines 10 and 11, delete "*chapters 458 and 462*" and insert "*sections 469.001 to 469.068*"

Page 3, line 3, delete "273.73" and insert "469.174"

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

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

S.F. No. 1297: A bill for an act relating to local government; granting the city of Redwood Falls the authority to establish a port authority; authorizing the port authority to exercise the power of a municipal housing and redevelopment authority; authorizing the city to impose restrictions and limitations upon the powers and procedures of the port authority; permitting the city to choose the name of the port authority; providing for removal of port authority commissioners; requiring local approval.

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

Page 1, line 18, delete "458.09" and insert "469.049"

Page 1, line 20, delete "*chapter 462*" and insert "*sections 469.001 to 469.047*"

Page 1, line 22, delete "472A.10" and insert "469.131"

Page 2, line 4, delete "*chapter 458*" and insert "*sections 469.048 to 469.068*"

Page 2, line 6, delete "*chapter 462*" and insert "*sections 469.001 to 469.047*"

Page 2, lines 13 and 14, delete "*chapters 458 and 462*" and insert "*sections 469.001 to 469.068*"

Page 3, line 6, delete "273.73" and insert "469.174"

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

SECOND READING OF SENATE BILLS

S.F. Nos. 2568, 2569, 1963, 105, 765 and 1297 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Frederickson, D.J. moved that the name of Mr. DeCramer be added as a co-author to S.F. No. 1939. The motion prevailed.

Mr. Johnson, D.J. moved that the name of Mr. Novak be added as a co-author to S.F. No. 2216. The motion prevailed.

SUSPENSION OF RULES

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Calendar and that the rules of the Senate be so far suspended as to waive the lie-over requirement. The motion prevailed.

CALENDAR

H.F. No. 2317: A bill for an act relating to education; providing for use of certain revenues in the independent school district No. 710 bond redemption fund; amending Laws 1982, chapter 523, article 30, section 4, 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 59 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Hughes	Marty	Pogemiller
Anderson	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Beckman	Davis	Johnson, D.J.	Merriam	Ramstad
Belanger	Decker	Jude	Metzen	Renneke
Benson	DeCramer	Knaak	Moe, D.M.	Samuelson
Berg	Dicklich	Kroening	Morse	Schmitz
Berglin	Diessner	Laidig	Novak	Solon
Bernhagen	Frank	Langseth	Olson	Spear
Bertram	Frederick	Lantry	Pehler	Storm
Brandl	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Brataas	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Freeman	Luther	Piper	

So the bill passed and its title was agreed to.

H.F. No. 1526: A bill for an act relating to transportation; defining motor vehicle; providing for brakes on motor vehicles manufactured after June 30, 1988; amending Minnesota Statutes 1986, sections 168.011, subdivision 4; and 169.67, subdivisions 3 and 4.

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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Merriam	Ramstad
Anderson	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Diessner	Laidig	Novak	Solon
Berglin	Frank	Langseth	Olson	Spear
Bernhagen	Frederick	Lantry	Pehler	Storm
Bertram	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Brandl	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brataas	Freeman	Luther	Piper	
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

H.F. No. 2049: A bill for an act relating to commerce; motor vehicles; clarifying the intent of the legislature regarding certain motor vehicle coverages; regulating motor vehicle franchises; clarifying the intent of the legislature regarding cancellations, terminations, or nonrenewals; specifying unfair practices; prohibiting agreements designed to waive, nullify, or modify statutory regulation; requiring lessors to title and register vehicles; amending Minnesota Statutes 1986, sections 60A.08, by adding a subdivision; 80E.06; 80E.07; 80E.08; 80E.09; 80E.13; Minnesota Statutes 1987 Supplement, sections 65B.49, subdivision 5a; and 72A.125, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 80E.

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	Davis	Jude	Metzen	Reichgott
Anderson	Decker	Knaak	Moe, D.M.	Renneke
Beckman	DeCramer	Knutson	Moe, R.D.	Samuelson
Belanger	Dicklich	Kroening	Morse	Schmitz
Benson	Diessner	Laidig	Novak	Solon
Berg	Frank	Langseth	Olson	Spear
Berglin	Frederick	Lantry	Pehler	Storm
Bernhagen	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Bertram	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brataas	Freeman	Luther	Piper	
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	
Dahl	Johnson, D.J.	Merriam	Ramstad	

So the bill passed and its title was agreed to.

H.F. No. 2020: A bill for an act relating to utilities; encouraging settlements prior to contested case hearings; authorizing the public utilities commission to extend suspended rates during multiple general rate filings; providing for imposition of interim rates when commission extends suspended rates; amending Minnesota Statutes 1986, sections 216B.16, subdivisions 1a, 2, and 3; and 237.075, subdivisions 2 and 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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Merriam	Ramstad
Anderson	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Diessner	Laidig	Novak	Solon
Berglin	Frank	Langseth	Olson	Spear
Bernhagen	Frederick	Lantry	Pehler	Storm
Bertram	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Brandl	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brataas	Freeman	Luther	Piper	
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

S.F. No. 2114: A bill for an act relating to crimes; requiring a warning label on replica firearms; proposing coding for new law in Minnesota Statutes, chapter 325F.

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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Merriam	Ramstad
Anderson	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Diessner	Laidig	Novak	Solon
Berglin	Frank	Langseth	Olson	Spear
Bernhagen	Frederick	Lantry	Pehler	Storm
Bertram	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Brandl	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brataas	Freeman	Luther	Piper	
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

S.F. No. 1561: A bill for an act relating to game and fish; prohibiting the use of certain meat in baiting bears; authorizing electric landing nets; regulating possession limits, size, and season for walleyed pike in the Rainy River; amending Minnesota Statutes 1986, section 97B.425; proposing coding for new law in Minnesota Statutes, chapter 97C; repealing Minnesota Statutes 1987 Supplement, section 97C.402.

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 1, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.J.	Merriam	Reichgott
Anderson	Decker	Jude	Metzen	Renneke
Beckman	DeCramer	Knaak	Moe, R.D.	Samuelson
Belanger	Dicklich	Knutson	Morse	Schmitz
Benson	Diessner	Kroening	Novak	Solon
Berg	Frank	Laidig	Olson	Spear
Berglin	Frederick	Langseth	Pehler	Storm
Bernhagen	Frederickson, D.J.	Lantry	Peterson, D.C.	Stumpf
Bertram	Frederickson, D.R.	Larson	Peterson, R.W.	Vickerman
Brataas	Freeman	Lessard	Piper	
Chmielewski	Gustafson	Luther	Pogemiller	
Cohen	Hughes	Marty	Purfeerst	
Dahl	Johnson, D.E.	McQuaid	Ramstad	

Mr. Brandl voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 1731: A bill for an act relating to the city of Proctor; authorizing the continuance of a municipal liquor store.

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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Renneke
Belanger	DeCramer	Knaak	Moe, D.M.	Samuelson
Benson	Dicklich	Knutson	Moe, R.D.	Schmitz
Berg	Diessner	Kroening	Morse	Solon
Berglin	Frank	Laidig	Novak	Spear
Bernhagen	Frederick	Langseth	Olson	Storm
Bertram	Frederickson, D.J.	Lantry	Pehler	Stumpf
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Vickerman
Brataas	Freeman	Lessard	Peterson, R.W.	
Chmielewski	Gustafson	Luther	Piper	
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2254: A bill for an act relating to liquor; authorizing the city of Blaine to issue an on-sale intoxicating liquor license to the Pheasant Ridge Music Center.

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 8, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Hughes	Luther	Ramstad
Anderson	Davis	Johnson, D.E.	Marty	Renneke
Beckman	Decker	Jude	McQuaid	Samuelson
Belanger	DeCramer	Knaak	Merriam	Schmitz
Benson	Diessner	Knutson	Metzen	Solon
Berg	Frank	Kroening	Moe, R.D.	Spear
Berglin	Frederick	Laidig	Morse	Storm
Bernhagen	Frederickson, D.J.	Langseth	Pehler	Stumpf
Bertram	Frederickson, D.R.	Lantry	Peterson, D.C.	Vickerman
Brandl	Freeman	Larson	Piper	
Brataas	Gustafson	Lessard	Purfeerst	

Those who voted in the negative were:

Chmielewski	Dicklich	Novak	Peterson, R.W.	Reichgott
Dahl	Johnson, D.J.	Olson		

So the bill passed and its title was agreed to.

H.F. No. 2358: A bill for an act relating to state lands; authorizing sale of certain tax-forfeited lands that border public water in East Grand Forks, Polk county.

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 63 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.J.	Merriam	Ramstad
Anderson	Decker	Jude	Metzen	Reichgott
Beckman	DeCramer	Knaak	Moe, D.M.	Renneke
Belanger	Dicklich	Knutson	Moe, R.D.	Samuelson
Benson	Diessner	Kroening	Morse	Schmitz
Berg	Frank	Laidig	Novak	Solon
Berglin	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	
Dahl	Johnson, D.E.	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

S.F. No. 1823: A bill for an act relating to water; amending the Minnesota watershed act by adding reasons for termination of a watershed district; amending Minnesota Statutes 1987 Supplement, section 112.411, subdivision 4.

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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Frank	Laidig	Novak	Solon
Berglin	Frederick	Langseth	Olson	Spear
Bernhagen	Frederickson, D.J.	Lantry	Pehler	Storm
Bertram	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brandl	Freeman	Lessard	Peterson, R.W.	Vickerman
Brataas	Gustafson	Luther	Piper	Waldorf
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	
Dahl	Johnson, D.J.	Merriam	Ramstad	

So the bill passed and its title was agreed to.

H.F. No. 1897: A bill for an act relating to insurance; regulating the Minnesota Insurance Guaranty Association; excluding investment risks insurance from coverage; modifying the definitions of "resident" and "covered claim"; regulating claims; preventing insolvencies; making certain technical changes; amending Minnesota Statutes 1986, sections 60C.02, subdivision 1; 60C.03, subdivisions 2, 7, and by adding a subdivision; 60C.05, subdivisions 1 and 2; 60C.06, by adding a subdivision; 60C.13, subdivision 2; 60C.15; and 60C.18; Minnesota Statutes 1987 Supplement, section 60C.09; repealing Minnesota Statutes 1987 Supplement, section 60C.06, subdivision 5.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	Merriam	Ramstad
Anderson	Davis	Johnson, D.J.	Metzen	Reichgott
Beckman	Decker	Jude	Moe, D.M.	Renneke
Belanger	DeCramer	Knaak	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Diessner	Laidig	Novak	Solon
Berglin	Frank	Langseth	Olson	Spear
Bernhagen	Frederick	Lantry	Pehler	Storm
Bertram	Frederickson, D.J.	Larson	Peterson, D.C.	Stumpf
Brandl	Frederickson, D.R.	Lessard	Peterson, R.W.	Vickerman
Brataas	Freeman	Luther	Piper	Waldorf
Chmielewski	Gustafson	Marty	Pogemiller	
Cohen	Hughes	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

H.F. No. 2559: A bill for an act relating to commerce; regulating sales and repair of hearing aids; amending Minnesota Statutes 1986, section 145.43, subdivision 1a, and by adding a subdivision; Minnesota Statutes 1987 Supplement, section 145.43, subdivision 4.

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 62 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	Merriam	Ramstad
Anderson	Davis	Johnson, D.J.	Metzen	Reichgott
Beckman	Decker	Jude	Moe, D.M.	Renneke
Belanger	DeCramer	Knaak	Moe, R.D.	Samuelson
Benson	Dicklich	Knutson	Morse	Schmitz
Berg	Diessner	Kroening	Novak	Spear
Berglin	Frank	Laidig	Olson	Storm
Bernhagen	Frederick	Langseth	Pehler	Stumpf
Bertram	Frederickson, D.J.	Lantry	Peterson, D.C.	Vickerman
Brandl	Frederickson, D.R.	Larson	Peterson, R.W.	Waldorf
Brataas	Freeman	Lessard	Piper	
Chmielewski	Gustafson	Luther	Pogemiller	
Cohen	Hughes	Marty	Purfeerst	

So the bill passed and its title was agreed to.

H.F. No. 1585: A bill for an act relating to natural resources; designating a basin of Twin Lake within the city of Robbinsdale as a separate basin, South Twin Lake.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2252: A bill for an act relating to state lands; conveying certain lands to the city of Brooklyn Center in Hennepin county.

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 63 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Renneke
Belanger	DeCramer	Knaak	Moe, D.M.	Samuelson
Benson	Dicklich	Knutson	Moe, R.D.	Schmitz
Berg	Diessner	Kroening	Morse	Solon
Berglin	Frank	Laidig	Novak	Spear
Bernhagen	Frederick	Langseth	Olson	Storm
Bertram	Frederickson, D.J.	Lantry	Pehler	Stumpf
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Vickerman
Brataas	Freeman	Lessard	Peterson, R.W.	Waldorf
Chmielewski	Gustafson	Luther	Piper	
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2092: A bill for an act relating to environment; authorizing sanitary districts to apply for and receive assistance from the waste management board for certain solid waste programs; amending Minnesota Statutes 1986, section 115A.50; and Minnesota Statutes 1987 Supplement, section 115A.49.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2629: A bill for an act relating to minerals; authorizing the commissioner of natural resources to lease certain severed mineral interests; amending Minnesota Statutes 1986, section 93.55, subdivisions 1, 3, 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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2551: A bill for an act relating to state lands; authorizing private conveyance of tax-forfeited land in St. Louis county.

With the unanimous consent of the Senate, Mr. Johnson, D.J. moved to amend H.F. No. 2551 as follows:

Page 2, line 10, delete "2.7" and insert "8.76"

Page 2, delete lines 12 to 17 and insert:

"That part of Government Lot 3, Section 21, Township 56 North, Range 14 West, St. Louis county, Minnesota, lying westerly of the following described line:

Commencing at the northwest corner of said section 21; thence north 87 degrees 56 minutes 17 seconds west, along the north line of said section, a distance of 1117.10 feet; to the point of beginning; thence south 0 degrees 27 minutes 36 seconds east, parallel with the west line of the northerly part of Government Lot 3; a distance of 1825 feet more or less to the lakeshore and said line there terminating."

The motion prevailed. So the amendment was adopted.

H.F. No. 2551 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 63 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Merriam	Ramstad
Anderson	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Diessner	Kroening	Morse	Schmitz
Berg	Frank	Laidig	Novak	Solon
Berglin	Frederick	Langseth	Olson	Spear
Bernhagen	Frederickson, D.J.	Lantry	Pehler	Storm
Bertram	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brandl	Freeman	Lessard	Peterson, R.W.	Vickerman
Brataas	Gustafson	Luther	Piper	Waldorf
Chmielewski	Hughes	Marty	Pogemiller	
Cohen	Johnson, D.E.	McQuaid	Purfeerst	

Mr. Dicklich voted in the negative.

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

H.F. No. 2489: A bill for an act relating to land exchange; authorizing the exchange of certain state lands free from reservations of public travel under certain conditions; authorizing sale of certain land in Cook county; amending Minnesota Statutes 1986, section 94.342, 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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

S.F. No. 2079: A bill for an act relating to natural resources; providing for a statement of need and reasonableness before designating muskellunge waters; amending Minnesota Statutes 1986, section 97C.011.

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 3, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.J.	Metzen	Reichgott
Anderson	Decker	Jude	Moe, D.M.	Renneke
Beckman	DeCramer	Knaak	Moe, R.D.	Samuelson
Belanger	Dicklich	Knutson	Morse	Schmitz
Benson	Diessner	Kroening	Novak	Solon
Berg	Frank	Laidig	Olson	Storm
Bernhagen	Frederick	Langseth	Pehler	Stumpf
Bertram	Frederickson, D.J.	Lantry	Peterson, D.C.	Vickerman
Brandl	Frederickson, D.R.	Larson	Peterson, R.W.	Waldorf
Brataas	Freeman	Lessard	Piper	
Chmielewski	Gustafson	Luther	Pogemiller	
Cohen	Hughes	Marty	Purfeerst	
Dahl	Johnson, D.E.	McQuaid	Ramstad	

Ms. Berglin, Messrs. Merriam and Spear voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 2402: A bill for an act relating to economic development; permitting certain development authorities to hold certain licenses; amending Minnesota Statutes 1987 Supplement, section 469.155, subdivision 13.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2422: A bill for an act relating to agriculture; clarifying certain exemptions; specifying property exempt from final process issued by a court; modifying the exemption for employee benefits; amending Minnesota Statutes 1986, sections 323.24; and 550.37, subdivisions 5 and 24.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 2508: A bill for an act relating to statute of limitations; providing relief for certain individuals denied a remedy due to the unconstitutionality of a statute of limitation relating to real property improvement.

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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 1971: A bill for an act relating to guardianship; permitting appointment of any number of guardians; permitting the appointment of guardians who reside outside the state; amending Minnesota Statutes 1986, sections 525.54, subdivision 1; and 525.544, 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 1659: A bill for an act relating to constables; authorizing town boards to form law enforcement agencies; abolishing the office of constable; authorizing the board of peace officer standards and training to issue peace officer licenses to persons possessing constable licenses; amending Minnesota Statutes 1986, sections 367.40, subdivision 3, and by adding a subdivision; and 367.42, subdivision 1, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 367; repealing Minnesota Statutes 1986, sections 367.41, subdivisions 4 and 5; 367.42, subdivision 2; 626.843, subdivision 1a; and 626.845, subdivision 2; and Minnesota Statutes 1987 Supplement, sections 367.03, subdivision 3; and 367.41, 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 1844: A bill for an act relating to courts; prescribing when a referee's orders become effective; amending Minnesota Statutes 1986, section 484.70, subdivision 7.

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 63 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Reichgott
Anderson	Davis	Johnson, D.J.	Metzen	Renneke
Beckman	Decker	Jude	Moe, R.D.	Samuelson
Belanger	DeCramer	Knaak	Morse	Schmitz
Benson	Dicklich	Knutson	Novak	Solon
Berg	Diessner	Kroening	Olson	Spear
Berglin	Frank	Laidig	Pehler	Storm
Bernhagen	Frederick	Langseth	Peterson, D.C.	Stumpf
Bertram	Frederickson, D.J.	Lantry	Peterson, R.W.	Taylor
Brandl	Frederickson, D.R.	Larson	Piper	Vickerman
Brataas	Freeman	Lessard	Pogemiller	Waldorf
Chmielewski	Gustafson	Luther	Purfeerst	
Cohen	Hughes	Marty	Ramstad	

Mr. Merriam voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 2340: A bill for an act relating to crime; law enforcement; requiring the reporting of crimes motivated by bias; requiring the peace officer standards and training board to mandate preservice training for peace officers in recognizing, responding to, and reporting crimes of bias; requiring the board to make similar instructional materials available to peace officers for continuing education credit; proposing coding for new law in Minnesota Statutes, chapter 626.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Ramstad
Anderson	Davis	Johnson, D.J.	Merriam	Reichgott
Beckman	Decker	Jude	Metzen	Renneke
Belanger	DeCramer	Knaak	Moe, D.M.	Samuelson
Benson	Dicklich	Knutson	Moe, R.D.	Schmitz
Berg	Diessner	Kroening	Morse	Solon
Berglin	Frank	Laidig	Novak	Spear
Bernhagen	Frederick	Langseth	Pehler	Storm
Bertram	Frederickson, D.J.	Lantry	Peterson, D.C.	Stumpf
Brandl	Frederickson, D.R.	Larson	Peterson, R.W.	Taylor
Brataas	Freeman	Lessard	Piper	Vickerman
Chmielewski	Gustafson	Luther	Pogemiller	Waldorf
Cohen	Hughes	Marty	Purfeerst	

So the bill passed and its title was agreed to.

H.F. No. 2446: A bill for an act relating to St. Louis county; providing duties of the county board and the county administrator; regulating finances; providing for property assessments; repealing obsolete laws; amending Minnesota Statutes 1986, sections 383C.031; 383C.034; 383C.091; 383C.094, subdivision 1; 383C.131; 383C.133, subdivision 1; 383C.135; 383C.16;

383C.161; 383C.162; 383C.17; 383C.231, subdivision 1; 383C.232; 383C.26; 383C.261; 383C.36; 383C.422; 383C.482, subdivision 1; 383C.74, subdivision 1; 383C.75; and 383C.78, subdivision 2; Minnesota Statutes 1987 Supplement, section 383C.035; proposing coding for new law in Minnesota Statutes, chapter 383C; repealing Minnesota Statutes 1986, section 383C.075; 383C.076; 383C.095; 383C.132; 383C.13; 383C.133; 383C.171; 383C.174; 383C.175; 383C.20; 383C.202; 383C.203; 383C.291; 383C.292; 383C.339; 383C.361; 383C.362; 383C.363; 383C.392, subdivision 2; 383C.423; 383C.424; 383C.45; 383C.481; 383C.52; 383C.521; 383C.523; 383C.55; 383C.551; 383C.552; 383C.553; 383C.554; 383C.555, subdivision 2; 383C.556; 383C.557; 383C.61; 383C.611; 383C.612; 383C.613; 383C.64; 383C.641; 383C.642; 383C.643; 383C.644; 383C.645; 383C.646; 383C.647; 383C.648; 383C.649; 383C.65; 383C.651; 383C.66; 383C.67; 383C.671; 383C.672; 383C.673; 383C.674; 383C.675; 383C.676; 383C.677; 383C.77; 383C.80; 383C.801; 383C.802; 383C.803; 383C.804; and 383C.805; Minnesota Statutes 1987 Supplement, section 383C.76.

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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 1923: A bill for an act relating to civil actions; imposing civil liability for the theft of merchandise and shopping carts; proposing coding for new law in Minnesota Statutes, chapter 332.

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 63 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Decker	Jude	Metzen	Reichgott
Anderson	DeCramer	Knaak	Moe, D.M.	Renneke
Beckman	Dicklich	Knutson	Moe, R.D.	Samuelson
Belanger	Diessner	Kroening	Morse	Schmitz
Benson	Frank	Laidig	Novak	Solon
Berglin	Frederick	Langseth	Olson	Spear
Bernhagen	Frederickson, D.J.	Lantry	Pehler	Storm
Bertram	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf
Dahl	Johnson, D.E.	McQuaid	Purfeerst	
Davis	Johnson, D.J.	Merriam	Ramstad	

So the bill passed and its title was agreed to.

S.F. No. 2347: A bill for an act relating to commerce; regulating franchises; modifying the definition of franchise to include certain royalty or residuals agreements; regulating burglar alarm franchises; amending Minnesota Statutes 1986, section 80C.01, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 80C.

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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Storm
Bertram	Frederickson, D.J.	Lantry	Pehler	Stumpf
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Taylor
Brataas	Freeman	Lessard	Peterson, R.W.	Vickerman
Chmielewski	Gustafson	Luther	Piper	Waldorf
Cohen	Hughes	Marty	Pogemiller	

So the bill passed and its title was agreed to.

H.F. No. 1189: A resolution memorializing the United States Congress to amend the Employment Retirement Security Act to permit the direct regulation of self-insured health care plans.

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

The question was taken on the passage of the resolution.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Ramstad
Anderson	Davis	Johnson, D.J.	Merriam	Reichgott
Beckman	Decker	Jude	Metzen	Renneke
Belanger	DeCramer	Knaak	Moe, D.M.	Samuelson
Benson	Dicklich	Knutson	Moe, R.D.	Schmitz
Berg	Diessner	Kroening	Morse	Solon
Berglin	Frank	Laidig	Novak	Spear
Bernhagen	Frederick	Langseth	Olson	Storm
Bertram	Frederickson, D.J.	Lantry	Pehler	Stumpf
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Taylor
Brataas	Freeman	Lessard	Piper	Vickerman
Chmielewski	Gustafson	Luther	Pogemiller	Waldorf
Cohen	Hughes	Marty	Purfeerst	

So the resolution passed and its title was agreed to.

H.F. No. 1913: A bill for an act relating to employment; prohibiting employer reprisals against employees who decline to participate in charitable fund drives; proposing coding for new law in Minnesota Statutes, chapter 181.

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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 521: A bill for an act relating to lake improvement districts; providing for notice of their annual meetings; amending Minnesota Statutes 1986, section 378.545, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 378.

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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Purfeerst
Anderson	Davis	Johnson, D.J.	Merriam	Ramstad
Beckman	Decker	Jude	Metzen	Reichgott
Belanger	DeCramer	Knaak	Moe, D.M.	Renneke
Benson	Dicklich	Knutson	Moe, R.D.	Samuelson
Berg	Diessner	Kroening	Morse	Schmitz
Berglin	Frank	Laidig	Novak	Solon
Bernhagen	Frederick	Langseth	Olson	Spear
Bertram	Frederickson, D.J.	Lantry	Pehler	Storm
Brandl	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brataas	Freeman	Lessard	Peterson, R.W.	Taylor
Chmielewski	Gustafson	Luther	Piper	Vickerman
Cohen	Hughes	Marty	Pogemiller	Waldorf

So the bill passed and its title was agreed to.

H.F. No. 1710: A bill for an act relating to crime; prohibiting the display of sexually explicit material deemed harmful to minors in places of public accommodation open to minors; providing a penalty; amending Minnesota Statutes 1986, sections 617.293; and 617.296, subdivision 1, 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 61 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.E.	McQuaid	Renneke
Anderson	Davis	Johnson, D.I.	Metzen	Samuelson
Beckman	Decker	Jude	Moe, D.M.	Schmitz
Belanger	DeCramer	Knaak	Moe, R.D.	Solon
Benson	Dicklich	Knutson	Morse	Storm
Berg	Diessner	Kroening	Novak	Stumpf
Berglin	Frank	Laidig	Olson	Taylor
Bernhagen	Frederick	Langseth	Pehler	Vickerman
Bertram	Frederickson, D.I.	Lantry	Peterson, D.C.	Waldorf
Brandl	Frederickson, D.R.	Larson	Piper	
Brataas	Freeman	Lessard	Purfeerst	
Chmielewski	Gustafson	Luther	Ramstad	
Cohen	Hughes	Marty	Reichgott	

Mr. Spear voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 1277: A bill for an act relating to transportation; providing for state park road account funds to be used for lake access roads; amending Minnesota Statutes 1986, section 162.06, subdivision 5.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Merriam	Ramstad
Anderson	Davis	Jude	Metzen	Reichgott
Beckman	Decker	Knaak	Moe, D.M.	Renneke
Belanger	DeCramer	Knutson	Moe, R.D.	Samuelson
Benson	Dicklich	Kroening	Morse	Schmitz
Berg	Frank	Laidig	Novak	Solon
Berglin	Frederick	Langseth	Olson	Spear
Bernhagen	Frederickson, D.I.	Lantry	Pehler	Storm
Bertram	Frederickson, D.R.	Larson	Peterson, D.C.	Stumpf
Brandl	Freeman	Lessard	Peterson, R.W.	Taylor
Brataas	Gustafson	Luther	Piper	Vickerman
Chmielewski	Hughes	Marty	Pogemiller	Waldorf
Cohen	Johnson, D.E.	McQuaid	Purfeerst	

So the bill passed and its title was agreed to.

S.F. No. 1987: A bill for an act relating to state government; requiring the commissioner of employee relations to study the use of part-time employees in the executive branch work force; requiring a report.

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 51 and nays 9, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Langseth	Novak	Schmitz
Beckman	Diessner	Lantry	Olson	Solon
Belanger	Frank	Lessard	Pehler	Spear
Bertram	Frederickson, D.I.	Luther	Peterson, D.C.	Storm
Brandl	Frederickson, D.R.	Marty	Peterson, R.W.	Stumpf
Chmielewski	Freeman	McQuaid	Piper	Vickerman
Cohen	Johnson, D.E.	Merriam	Pogemiller	Waldorf
Dahl	Johnson, D.I.	Metzen	Purfeerst	
Davis	Jude	Moe, D.M.	Reichgott	
Decker	Kroening	Moe, R.D.	Renneke	
DeCramer	Laidig	Morse	Samuelson	

Those who voted in the negative were:

Anderson Benson	Berg Bernhagen	Frederick Knaak	Knutson Larson	Ramstad
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So the bill passed and its title was agreed to.

H.F. No. 1469: A bill for an act relating to traffic regulations; providing for restrictions on vehicles transporting firewood on highways; amending Minnesota Statutes 1986, sections 169.80, subdivision 1; and 169.81, 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 62 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	Decker	Jude	Moe, D.M.	Renneke
Anderson	DeCramer	Knaak	Moe, R.D.	Samuelson
Beckman	Dicklich	Knutson	Morse	Schmitz
Benson	Diessner	Kroening	Novak	Solon
Berg	Frank	Laidig	Olson	Spear
Berglin	Frederick	Langseth	Pehler	Storm
Bernhagen	Frederickson, D.J.	Lantry	Peterson, D.C.	Stumpf
Bertram	Frederickson, D.R.	Larson	Peterson, R.W.	Taylor
Brandl	Freeman	Lessard	Piper	Vickerman
Brataas	Gustafson	Marty	Pogemiller	Waldorf
Chmielewski	Hughes	McQuaid	Purfeerst	
Dahl	Johnson, D.E.	Merriam	Ramstad	
Davis	Johnson, D.I.	Metzen	Reichgott	

Mr. Belanger voted in the negative.

So the bill passed and its title was agreed to.

H.F. No. 2265: A bill for an act relating to natural resources; correcting certain provisions for net size for the taking of ciscoes; amending Minnesota Statutes 1986, section 97C.805, 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 54 and nays 9, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Knutson	Metzen	Reichgott
Anderson	Decker	Kroening	Moe, D.M.	Renneke
Beckman	Diessner	Laidig	Moe, R.D.	Samuelson
Belanger	Frederick	Langseth	Morse	Schmitz
Benson	Frederickson, D.J.	Lantry	Novak	Solon
Berg	Frederickson, D.R.	Larson	Olson	Spear
Berglin	Freeman	Lessard	Peterson, D.C.	Storm
Bernhagen	Gustafson	Luther	Peterson, R.W.	Stumpf
Bertram	Johnson, D.E.	Marty	Piper	Vickerman
Brataas	Jude	McQuaid	Purfeerst	Waldorf
Chmielewski	Knaak	Merriam	Ramstad	

Those who voted in the negative were:

Brandl	Davis	Dicklich	Johnson, D.J.	Pogemiller
Dahl	DeCramer	Frank	Pehler	

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Moe, R.D. moved that H.F. No. 2126 be taken from the table. The motion prevailed.

H.F. No. 2126: A bill for an act relating to the organization and operation of state government; appropriating money for human resources and other purposes with certain conditions; amending Minnesota Statutes 1986, sections 3.9223, subdivision 3; 3.9225, subdivision 3; 3.9226, subdivision 3; 62A.54; 62E.04, by adding subdivisions; 129A.02, subdivision 3; 129A.09; 129A.10; 144.053, by adding subdivisions; 144.125; 144A.04, by adding a subdivision; 145.853, subdivision 2; 145.894; 245.771, by adding a subdivision; 245.814, subdivisions 1, 2, and 3; 245.83; 245.84, subdivision 1; 246.023; 248.07, subdivision 7 and 12; 252.291, subdivisions 1 and 2; 256.73, subdivisions 2, 6, and by adding subdivisions; 256.736, by adding subdivisions; 256.76, subdivision 1; 256B.08; 256B.092, subdivisions 5 and 7; 256B.14, subdivision 2; 256B.17, subdivision 7; 256B.431, by adding subdivisions; 256B.501, subdivision 3, and by adding subdivisions; 256B.69, subdivisions 3 and 4; 256D.02, subdivision 7, and by adding a subdivision; 256D.06, by adding a subdivision; 256D.07; 256D.35, by adding a subdivision; 256D.37, subdivision 2, and by adding subdivisions; 256E.12, subdivisions 1 and 2; 256F.03, subdivision 8; 257.071, subdivisions 2 and 3, and by adding a subdivision; 257.072; 260.181, subdivision 3; 268.0111, by adding a subdivision; 268.911, subdivision 3; 326.371; 462A.05, by adding a subdivision; 462A.21, by adding a subdivision; 609.72, subdivision 1; 611A.32, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 3.922, subdivision 6; 16B.08, subdivision 7; 16B.61, subdivision 3; 62A.152, subdivision 2; 62A.48, subdivision 7; 62A.50, subdivision 3; 62D.102; 129A.01, subdivisions 5, 6, and 7; 129A.03; 129A.06, subdivision 1; 129A.07, subdivision 1; 129A.08, subdivisions 1, 4, and 5, and by adding subdivisions; 144A.071, subdivision 3; 144A.073, subdivisions 1, 2, 7, and 8; 148B.23, subdivision 1; 148B.42, subdivision 1; 245.462, subdivisions 3, 4, 6, 17, 18, 19, 20, 21, 23, and 25; 245.465; 245.466, subdivisions 1, 2, and 5; 245.467, by adding subdivisions; 245.469, subdivision 2; 245.471, subdivisions 2 and 3; 245.472, subdivision 2; 245.475, subdivisions 1 and 2; 245.476, subdivision 1; 245.477; 245.478, subdivisions 1, 2, and 9; 245.479; 245.482, subdivision 2; 245.696, subdivision 2; 245.697, subdivision 2, and by adding a subdivision; 245A.09, by adding a subdivision; 248.07, subdivision 8; 252.291, subdivision 3; 252.46, subdivisions 5 and 6, and by adding subdivisions; 253B.03, subdivision 6; 256.015, subdivision 2; 256.736, subdivisions 1b, 4, and 11; 256.936; 256.969, subdivision 3; 256B.02, subdivision 8; 256B.031, subdivision 5; 256B.042, subdivision 2; 256B.06, subdivisions 1 and 4; 256B.091, subdivision 4; 256B.35, subdivision 1; 256B.431, subdivision 4; 256B.433, subdivision 1; 256B.501, subdivision 1; 256B.73, subdivision 2, and by adding a subdivision; 256D.01, subdivision 1a; 256D.03, subdivision 3; 256D.06, subdivisions 1 and 1b; 256D.37, subdivision 1; 256E.12, subdivision 3; 268.91, subdivisions 1, 3, 3b, 3c, 3e, 4, and 12; 393.07, subdivision 10, and by adding a subdivision; Laws 1984, chapter 654, article 5, section 57, subdivision 1, as amended; Laws 1987, chapter 337, section 131; Laws 1987, chapter 403, article 2, section 34; Laws 1987, chapter 403, article 4, section 13; Laws 1987, chapter 403, article 1, section 4, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 62A; 62C; 62D; 144; 145; 152A; 157; 179A; 245; 246; 252; 256; 256B; 256H; 257; and 268; repealing Minnesota Statutes 1986, sections 136.26; 144.388; 245.84, subdivision 4; 245.86; 245.87; and 257.071, subdivision

6; Minnesota Statutes 1987 Supplement, sections 129A.01, subdivision 8; 129A.07, subdivision 2; 129A.08, subdivision 3; 148B.04, subdivision 1; and 256B.73, subdivision 10.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 2126 and that the rules of the Senate be so far suspended as to give H.F. No. 2126 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 2126 was read the second time.

Mr. Samuelson moved to amend H.F. No. 2126 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 2126, and insert the language after the enacting clause, and the title, of S.F. No. 2568, as introduced.

The motion prevailed. So the amendment was adopted.

Mr. Johnson, D.E. moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 4, delete lines 36 to 41 and insert:

"Of this appropriation, \$200,000 must be transferred to the state planning agency to provide a grant of \$25,000 to each regional treatment center community task force to develop a plan for the future use of the regional treatment center."

Page 63, line 13, delete "FARIBAULT" and after "CENTER" insert "TASK FORCES"

Page 63, line 15, delete "13-member"

Page 63, line 16, delete "*the Faribault*" and insert "*each*"

Page 63, line 18, delete "*Faribault*" and insert "*the*"

Page 63, line 19, delete "*Faribault*" in both places and delete "*institute*" and insert "*institutes*"

Page 63, line 20, delete everything after the first comma and insert "*the city and*"

Page 63, line 21, delete everything after the first "*county*" and insert "*in which the regional center is located, local hospitals,*"

Page 63, line 24, delete "*a Faribault*" and insert "*each*"

Page 63, line 26, delete "*Faribault*" and insert "*the*"

Page 63, line 32, delete "*The Faribault*" and insert "*Each*"

Page 63, line 36, delete "*Faribault*" and insert "*each*"

Correct the subdivision and section totals and the summaries by fund accordingly

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

Mr. Frederickson, D.R. moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 63, line 31, after the period, insert "*The task force must not consider or recommend that the regional treatment center be used to provide new or expanded services of a type currently provided by another regional treatment center.*"

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

Mr. Renneke moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 32, line 32, delete "*in Silver Bay*"

Page 32, lines 33 and 34, delete "*owned by the city of Silver Bay if the city donates the building*" and insert "*donated by a municipality or other local governmental entity*"

Page 33, lines 3 and 4, delete "*The city of Silver Bay shall secure*"

Page 33, line 4, after "*requirement*" insert "*must be secured*"

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

Mr. Jude moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 15, after line 10, insert:

"Sec. 9. Minnesota Statutes 1986, section 144.12, is amended by adding a subdivision to read:

Subd. 4. [DEADLY INFECTIOUS DISEASES.] The commissioner shall prevent any business from facilitating sexual practices which transmit deadly infectious diseases."

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 39 and nays 18, as follows:

Those who voted in the affirmative were:

Adkins	Chmielewski	Gustafson	McQuaid	Schmitz
Anderson	Dahl	Johnson, D.E.	Mehrkens	Storm
Beckman	Decker	Jude	Metzen	Stumpf
Belanger	DeCramer	Knaak	Morse	Taylor
Benson	Frank	Kroening	Olson	Vickerman
Berg	Frederickson, D.J.	Laidig	Ramstad	Waldorf
Bernhagen	Frederickson, D.R.	Langseth	Reichgott	Wegscheid
Bertram	Freeman	Larson	Renneke	

Those who voted in the negative were:

Berglin
Brandl
Brataas
Dicklich

Diessner
Johnson, D.J.
Knutson
Lantry

Marty
Merriam
Moe, D.M.
Peterson, D.C.

Peterson, R.W.
Piper
Pogemiller
Purfeerst

Samuelson
Spear

The motion prevailed. So the amendment was adopted.

Mr. Frederickson, D.R. moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 23, line 17, delete "or"

Page 23, line 27, after "requirements" insert "; or

(q) to license or certify as new nursing home beds up to one-half of the existing licensed hospital beds in a hospital that on March 1, 1988, had less than ten beds licensed under sections 144.50 to 144.56 and is located in a city with less than 750 residents and a county with less than 30,000 residents. The beds cannot be licensed or certified if a skilled nursing care facility located within the county objects. A hospital seeking licensing or certification of new beds under this exception shall notify each skilled nursing care facility located within the county by serving a copy of the completed license application on each facility at the same time it submits the application to the commissioner of health. A skilled nursing facility that objects to licensing or certification of the new beds must submit its written objections to the commissioner of health within 30 days after receiving a copy of the application"

CALL OF THE SENATE

Mr. Merriam imposed a call of the Senate for the balance of the proceedings on H.F. No. 2126. The Sergeant at Arms was instructed to bring in the absent members.

The question recurred on the Frederickson, D.R. amendment. The motion did not prevail. So the amendment was not adopted.

Mr. Benson moved to amend H.F. No. 2126, as amended by the Senate March 29, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 2568.)

Page 16, after line 13, insert:

"Sec. 11. Minnesota Statutes 1986, section 144.651, is amended by adding a subdivision to read:

Subd. 4a. [ASSET TRANSFER NOTICE.] When a person is admitted into a nursing home or extended care facility, the nursing home or facility shall give the person a copy of the notice required in section 103 regarding the person's rights to transfer liquid assets to the person's noninstitutionalized spouse in order to qualify for medical assistance under chapter 256B. The health care facility also shall give the person the name, business address, and telephone number of at least one employee of the state or county agency who is responsible for administering the transfer of liquid assets for qualified persons under section 256B.17, subdivision 7, and sections 102 and 103."

Page 100, line 12, strike "\$10,000" and insert "\$25,000"

Page 101, after line 10, insert:

"Sec. 101. Minnesota Statutes 1986, section 256B.17, subdivision 7, is amended to read:

Subd. 7. [EXCEPTION FOR ASSET TRANSFERS.] Notwithstanding the provisions of subdivisions 1 to 6, an institutionalized spouse who applies for medical assistance on or after July 1, 1983, may transfer liquid assets to a noninstitutionalized spouse without loss of eligibility ~~if all of~~. *The liquid assets transferred to the noninstitutionalized spouse are not considered available to the institutionalized spouse for purposes of determining eligibility or for future medical support. The noninstitutionalized spouse has no duty of future medical support of the institutionalized spouse from those transferred liquid assets, except as required by section 256B.14, subdivision 2. The following conditions apply:*

- (a) the noninstitutionalized spouse is not applying for or receiving assistance;
- (b) the noninstitutionalized spouse has less than ~~\$10,000~~ \$25,000 in liquid assets, including assets singly owned and 50 percent of assets owned jointly with the institutionalized spouse;
- (c) ~~The amount transferred, together with the noninstitutionalized spouse's own assets, totals no more than \$10,000 in liquid assets; and~~
- (d) The transfer may be effected only once, at the time of initial medical assistance application; *and*
- (d) *The transfer must meet the requirements in section 102.*

Sec. 102. Minnesota Statutes 1986, section 256B.17, is amended by adding a subdivision to read:

Subd. 7a. [ASSET TRANSFER REQUIREMENTS.] *If an institutionalized spouse chooses to transfer liquid assets to the noninstitutionalized spouse under subdivision 7, the transfer must be as follows:*

- (a) *If the liquid assets have a value of less than \$25,000, they must be transferred so that the noninstitutionalized spouse has sole ownership of the transferred liquid assets.*
- (b) *If the liquid assets have a value of at least \$25,000, but less than \$50,000, they must be transferred so that the noninstitutionalized spouse has sole ownership of the value of \$25,000 of the transferred liquid assets.*
- (c) *If the liquid assets have a value of \$50,000 or more, they must be transferred so that the noninstitutionalized spouse has sole ownership of the liquid assets having one-half the value of the transferred liquid assets.*
- (d) *At the time of initial medical assistance application, the institutionalized spouse and the noninstitutionalized spouse shall sign a notice of intent to transfer liquid assets under section 256B.17, subdivision 7, and file the notice of intent with the county agency. The transfer applies to liquid assets owned on the date the notice of intent is filed.*
- (e) *Within 90 days after the notice of intent is filed, or within the additional time the state agency allows, the institutionalized spouse and the noninstitutionalized spouse, or their representatives, shall file with the county agency evidence of the transfer of liquid assets. The transfer is effective on the date of initial application if evidence of the transfer is filed within the allowed time period.*

Sec. 103. Minnesota Statutes 1986, section 256B.17, is amended by adding a subdivision to read:

Subd. 7b. [ASSET TRANSFER NOTICE.] When a person applies for medical assistance, the state agency shall give the person and the person's spouse, or their personal representatives, if any, a clear and simple written notice:

(1) that an institutionalized spouse may transfer liquid assets to the noninstitutionalized spouse as provided in subdivision 7 and section 102; and

(2) that the transferred liquid assets are not considered in determining eligibility for medical assistance for the institutionalized spouse and that the noninstitutionalized spouse is not required to use the transferred liquid assets to contribute to future medical support for the institutionalized spouse except as required by section 256B.14, subdivision 2.

The state agency shall give copies of the written notice to extended care facilities and nursing homes, for distribution to persons being admitted.

Sec. 104. Minnesota Statutes 1986, section 256B.17, is amended by adding a subdivision to read:

Subd. 7c. [AGENCY REPORT.] Upon three years after the effective date of sections 11 and 101 to 103, the state agency shall report to the legislature on the number of persons who have transferred their liquid assets under subdivision 7 and section 102, the cost to the state, and the effectiveness of the allowance of such transfers."

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 26 and nays 38, as follows:

Those who voted in the affirmative were:

Anderson	Decker	Knutson	Mehrkens	Taylor
Belanger	Frederick	Kroening	Metzen	Vickerman
Benson	Frederickson, D.R.	Laidig	Morse	
Berg	Gustafson	Larson	Olson	
Bernhagen	Johnson, D.E.	Lessard	Ramstad	
Brataas	Knaak	McQuaid	Storm	

Those who voted in the negative were:

Adkins	Davis	Jude	Pehler	Schmitz
Beckman	DeCramer	Langseth	Peterson, D.C.	Solon
Berglin	Dicklich	Lantry	Peterson, R.W.	Spear
Bertram	Diessner	Marty	Piper	Stumpf
Brandl	Frank	Merriam	Pogemiller	Waldorf
Chmielewski	Frederickson, D.J.	Moe, D.M.	Purfeerst	Wegscheid
Cohen	Freeman	Moe, R.D.	Reichgott	
Dahl	Johnson, D.J.	Novak	Samuelson	

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

H.F. No. 2126 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Gustafson	Marty	Piper
Anderson	Dahl	Johnson, D.E.	McQuaid	Ramstad
Beckman	Davis	Johnson, D.J.	Mehrkens	Reichgott
Belanger	Decker	Jude	Merriam	Renneke
Benson	DeCramer	Knaak	Metzen	Samuelson
Berg	Dicklich	Knutson	Moe, R.D.	Schmitz
Berglin	Diessner	Kroening	Morse	Spear
Bernhagen	Frank	Laidig	Novak	Storm
Bertram	Frederick	Langseth	Olson	Stumpf
Brandl	Frederickson, D.J.	Lantry	Pehler	Taylor
Brataas	Frederickson, D.R.	Larson	Peterson, D.C.	Vickerman
Chmielewski	Freeman	Lessard	Peterson, R.W.	Waldorf

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

Mr. Samuelson moved that S.F. No. 2568, on General Orders, be stricken and laid on the table. The motion prevailed.

RECESS

Mr. Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

S.F. No. 1861: Mr. Pehler, Ms. Berglin and Mr. Brandl.

S.F. No. 2565: Messrs. Langseth, Mehrkens, Wegscheid, Metzen and Purfeerst.

Mr. Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

SUSPENSION OF RULES

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 2569 and that the rules of the Senate be so far suspended as to give S.F. No. 2569, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

S.F. No. 2569: A bill for an act relating to education; appropriating money to the higher education coordinating board, regents of the University of Minnesota, state university board, state board for community colleges, and state board of vocational technical education, with certain conditions; authorizing bonding for capital improvements; amending Minnesota Statutes 1986, sections 3.971, subdivision 1; 92.05; 136.31, by adding a subdivision; and 136.41, by adding subdivisions; 248.07, subdivisions 7 and 12; Minnesota Statutes 1987 Supplement, section 248.07, subdivision 8; Laws 1983, chapter 334, section 7, as amended; and Laws 1987, chapter 401, section 2, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 135A and 137; repealing Minnesota Statutes 1986, sections 136.26; and 136C.13, subdivision 3.

Mr. Knaak moved to amend S.F. No. 2569 as follows:

Page 5, line 35, delete "Council" and insert "Task Force"

Page 5, delete lines 37 to 52 and insert:

"A task force shall be established to review state governance of technical institutes, merging community colleges with technical institutes and formation of intermediate school districts throughout the state. The task force shall evaluate advantages and disadvantages of governance options and shall develop implementation procedures. The advisory task force shall be appointed by the chairs of the senate education committee, the house of representatives higher education committee, the house of representatives higher education appropriations division, and the senate higher education finance division. Members shall include: one legislator from each higher education committee and division;"

Page 5, line 53, delete everything before "two"

Page 6, line 3, after the first semicolon, insert "a member from the department of employee relations;"

Page 6, line 8, delete "council" and insert "advisory task force"

Page 6, line 9, delete "recommended procedures" and insert "findings and recommendations"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 35 and nays 23, as follows:

Those who voted in the affirmative were:

Anderson	Davis	Gustafson	Marty	Peterson, D.C.
Belanger	Decker	Knaak	McQuaid	Purfeerst
Benson	Diessner	Knutson	Mehrkens	Ramstad
Berg	Frank	Kroening	Merriam	Reichgott
Berglin	Frederick	Laidig	Morse	Storm
Bernhagen	Frederickson, D.R.	Larson	Olson	Vickerman
Dahl	Freeman	Lessard	Pehler	Wegscheid

Those who voted in the negative were:

Adkins	Cohen	Johnson, D.J.	Peterson, R.W.	Stumpf
Beckman	DeCramer	Jude	Piper	Taylor
Bertram	Dicklich	Lantry	Pogemiller	Waldorf
Brandl	Frederickson, D.J.	Luther	Samuelson	
Brataas	Johnson, D.E.	Metzen	Schmitz	

The motion prevailed. So the amendment was adopted.

Ms. Peterson, D.C. moved to amend S.F. No. 2569 as follows:

Pages 11 and 12, delete section 13

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 29 and nays 32, as follows:

Those who voted in the affirmative were:

Beckman	Frederick	Larson	Morse	Pogemiller
Berg	Frederickson, D.J.	Lessard	Novak	Renneke
Berglin	Freeman	McQuaid	Olson	Spear
Davis	Jude	Merriam	Pehler	Vickerman
Diessner	Knaak	Metzen	Peterson, D.C.	Wegscheid
Frank	Knutson	Moe, D.M.	Peterson, R.W.	

Those who voted in the negative were:

Adkins	Brataas	Gustafson	Luther	Storm
Anderson	Chmielewski	Hughes	Marty	Stumpf
Belanger	Cohen	Johnson, D.E.	Mehrkins	Taylor
Benson	Dahl	Kroening	Piper	Waldorf
Bernhagen	Decker	Laidig	Ramstad	
Bertram	DeCramer	Langseth	Reichgott	
Brandl	Frederickson, D.R.	Lantry	Schmitz	

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

Mr. Ramstad moved to amend S.F. No. 2569 as follows:

Page 6, after line 10, insert:

“(f) Regent Candidate Search Commission

\$50,000

This appropriation is for expenses of the regent candidate search commission and for support services provided by the higher education coordinating board.”

Pages 11 and 12, delete section 13 and insert:

“Sec. 13. [137.0242] [REGENT CANDIDATE SEARCH COMMISSION.]

Subdivision 1. [ESTABLISHMENT.] There is established a candidate search commission to assist the legislature in identifying qualified candidates for membership on the board of regents.

Subd. 2. [MEMBERSHIP.] The commission must be composed of 24 members, three of whom reside in each congressional district. One member from each congressional district must be appointed by the governor. One member from each congressional district must be appointed by the speaker of the house of representatives. One member from each congressional district must be appointed by the subcommittee on committees of the committee on rules and administration of the senate. Each member shall serve for a term of six years and may serve one additional term. Section 15.0575, subdivisions 4 and 5, apply to vacancies in the commission. Members may be reimbursed for expenses according to section 15.0575 but must not be compensated.

Subd. 3. [DUTIES.] The commission shall:

(1) in consultation with current and former regents and the administration of the University of Minnesota, research, adopt, and publish the qualifications for a regent;

(2) develop, in consultation with current and former regents and the administration of the University of Minnesota, and provide to potential candidates a statement of the responsibilities of a regent;

(3) establish a subcommittee for each congressional district, composed of the three commission members residing in the congressional district and

other members appointed by the subcommittee, and encourage each subcommittee to use the commission's qualifications to identify qualified candidates within its congressional district;

(4) for each congressional district position on the board, identify and recruit, through the subcommittee established in clause (3), qualified candidates for the board of regents, based on the commission's qualifications, the background and experience of the candidates, and their potential for discharging the responsibilities of a member of the board of regents; and

(5) for each at-large position on the board, including the student position, identify and recruit qualified candidates, based on the commission's qualifications, the background and experience of the candidates, and their potential for discharging the responsibilities of a member of the board of regents.

Subd. 4. [RECOMMENDATIONS.] At the time the legislature elects a regent, the commission shall recommend two or three qualified candidates to the appropriate committees of the legislature. For a candidate required to reside in a congressional district, the commission shall recommend only a candidate recommended by the subcommittee.

Subd. 5. [STAFF] The higher education coordinating board shall provide staff and support for the commission as necessary to discharge its responsibilities."

Page 16, after line 8, insert:

"Sec. 20. [INITIAL TERMS FOR REGENT CANDIDATE SEARCH COMMISSION.]

Notwithstanding section 13, subdivision 2, for the initial commission, one member appointed by each of the appointing authorities shall serve a two-year term, one member shall serve a four-year term, and one member shall serve a six-year term."

Page 16, line 11, after the period, insert *"Section 20 is repealed June 30, 1989."*

Correct the subdivision and section totals and the summaries by fund accordingly

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 15 and nays 44, as follows:

Those who voted in the affirmative were:

Anderson	Bernhagen	Frederick	Mehrkens	Storm
Belanger	Decker	Laidig	Ramstad	Taylor
Benson	Diessner	Larson	Reichgott	Vickerman

Those who voted in the negative were:

Adkins	Davis	Johnson, D.J.	McQuaid	Peterson, D.C.
Beckman	DeCramer	Jude	Merriam	Peterson, R.W.
Berglin	Dicklich	Knaak	Metzen	Piper
Bertram	Frank	Knutson	Moe, D.M.	Pogemiller
Brandl	Frederickson, D.J.	Kroening	Moe, R.D.	Renneke
Brataas	Freeman	Langseth	Morse	Schmitz
Chmielewski	Gustafson	Lantry	Novak	Spear
Cohen	Hughes	Lessard	Olson	Waldorf
Dahl	Johnson, D.E.	Marty	Pehler	

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

S.F. No. 2569 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 1, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Jude	Merriam	Purfeerst
Anderson	Dahl	Knaak	Metzen	Ramstad
Beckman	Davis	Knutson	Moe, D.M.	Reichgott
Belanger	Decker	Kroening	Moe, R.D.	Renneke
Benson	DeCramer	Laidig	Morse	Samuelson
Berg	Dicklich	Langseth	Novak	Schmitz
Berglin	Diessner	Lantry	Olson	Spear
Bernhagen	Frederick	Larson	Pehler	Storm
Bertram	Frederickson, D.J.	Lessard	Peterson, D.C.	Stumpf
Brandl	Freeman	Marty	Peterson, R.W.	Taylor
Brataas	Johnson, D.E.	McQuaid	Piper	Vickerman
Chmielewski	Johnson, D.J.	Mehrkens	Pogemiller	Waldorf

Mr. Frank voted in the negative.

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

MOTIONS AND RESOLUTIONS - CONTINUED

RECONSIDERATION

Mr. Wegscheid moved that the vote whereby H.F. No. 1749 failed to pass the Senate on March 28, 1988, be now reconsidered. The motion prevailed.

H.F. No. 1749: A bill for an act relating to transportation; increasing the tax on gasoline and special fuel to 20 cents per gallon; increasing the share of motor vehicle excise tax revenues dedicated to highways and transit to 35 percent; amending Minnesota Statutes 1986, section 296.02, subdivision 1b; and Minnesota Statutes 1987 Supplement, sections 296.025, subdivisions 2a and 2b; and 297B.09, subdivision 1.

Mr. Moe, R.D. moved that H.F. No. 1749 be laid on the table. The motion prevailed.

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 1783 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 1783: A bill for an act relating to motor vehicles; requiring mandatory annual inspection of motor vehicle emission control equipment on vehicles registered in the metropolitan area; prescribing powers and duties of the pollution control agency and the department of public safety;

imposing fees for inspection; prescribing penalties; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116.

Mr. Diessner moved to amend S.F. No. 1783 as follows:

Page 2, after line 33, insert:

“(d) The inspection requirement applies to a motor vehicle registered to an owner who resides outside the metropolitan area if it is used to provide transportation to a place of employment located in the metropolitan area, as provided in this paragraph. It is a condition of being employed in the metropolitan area that the employee’s vehicle be inspected annually. Employers located in the metropolitan area shall require each employee who resides outside the metropolitan area to file with the employer a copy of a certificate of compliance or waiver or evidence that the employee does not own a motor vehicle.”

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

Mr. DeCramer moved to amend S.F. No. 1783 as follows:

Page 1, after line 11, insert:

“Section 1. Minnesota Statutes 1987 Supplement, section 41A.09, subdivision 5, is amended to read:

Subd. 5. [EXPIRATION.] This section ~~expires July 1, 2000~~ *is repealed on February 16, 1995*, and all money in the fund on that date reverts to the general fund.”

Page 8, line 3, delete the first “3” and insert “4”

Page 8, after line 5, insert:

“Sec. 8. Minnesota Statutes 1986, 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. The amount of the credit for every gallon of fuel-grade alcohol blended with gasoline to produce agricultural alcohol gasoline is as follows:

(a) ~~For the fiscal year ending June 30, 1987, 25 cents.~~

~~(b) On and after July 1, 1987, 20 cents.~~

(b) On and after January 1, 1991, 10 cents.

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. 9. Minnesota Statutes 1986, section 296.02, subdivision 8, is amended to read:

Subd. 8. [TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE SOLD IN BULK TO GOVERNMENT OR FOR SCHOOL TRANSPORTATION.] A distributor shall be allowed a credit of ~~80~~ 40 cents for every gallon of fuel grade alcohol blended with gasoline to produce agricultural alcohol gasoline which is sold in bulk to the state, local units of government, or for use in the transportation of pupils to and from school-related events in school vehicles. This reduction is in lieu of the reductions

provided in subdivision 7.

Sec. 10. Minnesota Statutes 1986, section 296.16, is amended by adding a subdivision to read:

Subd. 1a. [MINIMUM OXYGEN CONTENT.] (a) Unleaded gasoline with an octane rating of 90 or less may not be sold in this state for use in motor vehicles unless it is a gasoline blend consisting of 3.5 percent oxygen content by weight.

(b) The requirement of paragraph (a) applies to the metropolitan area, as defined in section 473.121, on and after January 1, 1991.

(c) The requirement of paragraph (a) applies to all statutory and home rule charter cities with a population of 50,000 or more, on and after January 1, 1993.

(d) The requirement of paragraph (a) applies to the entire state on and after January 1, 1995.

Sec. 11. [RECOMMENDATION OF AN OXYGENATED FUEL.]

By January 1, 1989, the commissioners of the departments of agriculture, transportation, and public service, and the pollution control agency shall recommend to the legislature a specific oxygenated fuel and a formula for combining that fuel with gasoline, to meet the requirement imposed by section 10. In selecting the recommended fuel, the following must be considered:

(1) the goals of improving air quality in Minnesota and meeting federal air quality standards;

(2) the impact of federal legislation imposing a requirement that gasoline be blended with oxygenated fuel;

(3) the possibility of a reduced need for an inspection and maintenance program;

(4) the effect on engine use and wear of the various oxygenated fuels, and the impact of their use on the warranties of motor vehicles, and other gasoline-powered internal combustion engines;

(5) the energy efficiency of the various fuels;

(6) the physical feasibility of blending the fuels with gasoline;

(7) the current and potential availability of each oxygenated fuel from sources in Minnesota;

(8) the effect on the highway user tax distribution fund; and

(9) other relevant matters.

Sec. 12. [REPEALER.]

Minnesota Statutes 1986, section 296.02, subdivisions 7 and 8, are repealed effective January 1, 1993."

Page 8, line 7, delete "3" and insert "4"

Page 8, line 24, after "1" insert ", 2" and delete "3 to 9" and insert "4 to 14"

Page 8, line 25, delete "2" and insert "3"

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "providing earlier date for elimination of subsidies for ethanol development; reducing tax credit for agricultural alcohol gasoline; requiring gasoline sold for use in motor vehicles to contain oxygenated fuel; requiring the commissioners of agriculture, pollution control agency, transportation, and public service to report to the legislature on oxygenated fuel; repealing tax credit for agricultural alcohol gasoline;"

Page 1, line 8, after the semicolon, insert "amending Minnesota Statutes 1986, sections 296.02, subdivisions 7 and 8; and 296.16, by adding a subdivision; Minnesota Statutes 1987 Supplement, section 41A.09, subdivision 5;"

Page 1, line 9, before the period, insert "; repealing Minnesota Statutes 1986, section 296.02, subdivisions 7 and 8"

Mr. Knaak questioned whether the amendment was germane. The President ruled the amendment was not germane.

S.F. No. 1783 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 44 and nays 20, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Jude	Mehrkens	Purfeerst
Anderson	Dicklich	Knaak	Merriam	Reichgott
Berglin	Frederick	Langseth	Moe, D.M.	Solon
Bernhagen	Frederickson, D.J.	Lantry	Novak	Spear
Brandl	Freeman	Larson	Olson	Storm
Brataas	Gustafson	Lessard	Pehler	Taylor
Chmielewski	Hughes	Luther	Peterson, D.C.	Waldorf
Cohen	Johnson, D.E.	Marty	Peterson, R.W.	Wegscheid
Decker	Johnson, D.J.	McQuaid	Piper	

Those who voted in the negative were:

Beckman	Bertram	Frank	Metzen	Samuelson
Belanger	Dahl	Frederickson, D.R.	Morse	Schmitz
Benson	Davis	Knutson	Ramstad	Stumpf
Berg	Diessner	Kroening	Renneke	Vickerman

So the bill passed and its title was agreed to.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 21, Mr. Pehler moved that the following members be excused for a Conference Committee on S.F. No. 1861 at 5:00 p.m.:

Mr. Brandl, Ms. Berglin and Mr. Pehler. The motion prevailed.

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 1900 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 1900: A bill for an act relating to the metropolitan airports commission; setting the borrowing authority of the commission; amending Minnesota Statutes 1986, section 473.667, subdivision 2.

Mrs. Adkins moved to amend S.F. No. 1900 as follows:

Page 1, line 23, before "APPLICATION" insert "EFFECTIVE DATE;"

Page 1, line 24, after "act" insert "is effective the day following final enactment and"

The motion prevailed. So the amendment was adopted.

Mr. Freeman moved to amend S.F. No. 1900 as follows:

Page 1, after line 7, insert:

"Section 1. [473.654] [ENVIRONMENTAL IMPACT ASSESSMENTS FOR AIRPORT IMPROVEMENTS.]

The corporation shall not issue bonds under section 473.667 or use revenue from any source as described in section 473.608, for the construction of any major improvement at an airport under the corporation's jurisdiction until 60 days after the completion of all environmental impact assessment procedures required by the National Environmental Policy Act, United States Code, title 42, section 4332; the Federal Aviation Act of 1958, United States Code, title 49, section 1348; the Airway and Improvement Act of 1982, United States Code, title 49, section 2208; the state environmental policy, chapter 116D; or any other federal or state statute, rule or regulation. For purposes of this provision, a major improvement is any expansion or extension of a runway or any major infrastructure improvement."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, before the period, insert "; proposing coding for new law in Minnesota Statutes, chapter 473"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 21 and nays 34, as follows:

Those who voted in the affirmative were:

Belanger	Decker	Johnson, D.J.	Novak	Spear
Bertram	DeCramer	Knaak	Peterson, D.C.	
Cohen	Dicklich	Luther	Peterson, R.W.	
Dahl	Freeman	Marty	Pogemiller	
Davis	Hughes	Morse	Ramstad	

Those who voted in the negative were:

Adkins	Frank	Langseth	Olson	Solon
Anderson	Frederick	Lantry	Piper	Storm
Benson	Frederickson, D.J.	Larson	Purfeerst	Stumpf
Berg	Frederickson, D.R.	Lessard	Reichgott	Taylor
Bernhagen	Gustafson	McQuaid	Renneke	Vickerman
Brataas	Johnson, D.E.	Metzen	Samuelson	Wegscheid
Diessner	Jude	Moe, D.M.	Schmitz	

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

Ms. Peterson, D.C. moved to amend S.F. No. 1900 as follows:

Page 1, after line 22, insert:

"Sec. 2. [REPORT.]

The commission shall report to the legislature by January 1, 1989, on

the conditions that it has attached or proposes to attach to leases and to action on projects in its capital improvement plan, for the purpose of advancing the commission's noise control program at airports owned and operated by the commission."

Renumber the sections in sequence

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 29 and nays 32, as follows:

Those who voted in the affirmative were:

Belanger	DeCramer	Johnson, D.J.	Moe, R.D.	Pogemiller
Berglin	Dicklich	Larson	Morse	Samuelson
Brandl	Frank	Luther	Novak	Spear
Cohen	Freeman	Marty	Pehler	Stumpf
Dahl	Hughes	McQuaid	Peterson, D.C.	Waldorf
Davis	Johnson, D.E.	Moe, D.M.	Peterson, R.W.	

Those who voted in the negative were:

Adkins	Brataas	Jude	Olson	Storm
Anderson	Chmielewski	Knaak	Piper	Taylor
Beckman	Decker	Knutson	Purfeerst	Vickerman
Benson	Diessner	Kroening	Ramstad	Wegscheid
Berg	Frederick	Langseth	Renneke	
Bernhagen	Frederickson, D.R.	Lantry	Schmitz	
Bertram	Gustafson	Metzen	Solon	

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

S.F. No. 1900 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 52 and nays 10, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Knaak	Moe, R.D.	Schmitz
Anderson	Dicklich	Knutson	Novak	Solon
Beckman	Diessner	Kroening	Olson	Storm
Belanger	Frank	Langseth	Pehler	Stumpf
Benson	Frederick	Lantry	Piper	Taylor
Berg	Frederickson, D.J.	Larson	Pogemiller	Vickerman
Bernhagen	Frederickson, D.R.	Lessard	Purfeerst	Waldorf
Bertram	Hughes	Luther	Ramstad	Wegscheid
Chmielewski	Johnson, D.E.	McQuaid	Reichgott	
Davis	Johnson, D.J.	Mehrkens	Renneke	
Decker	Jude	Metzen	Samuelson	

Those who voted in the negative were:

Berglin	Cohen	Freeman	Morse	Peterson, R.W.
Brandl	Dahl	Marty	Peterson, D.C.	Spear

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

RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 7:00 p.m. The motion prevailed.

The hour of 7:00 p.m. having arrived, the President called the Senate to order.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Executive and Official Communications, Messages From the House, Reports of Committees, Second Reading of Senate Bills and Second Reading of House Bills.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received and referred to the committees indicated.

February 29, 1988

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

The following appointment to the Workers' Compensation Court of Appeals is hereby respectfully submitted to the Senate for confirmation as required by law:

Richard C. Pranke, 1066 N. Chatsworth St., St. Paul, Ramsey County, has been appointed by me, effective March 1, 1988, for a term expiring the first Monday in January, 1991.

(Referred to the Committee on Employment.)

March 28, 1988

The Honorable Jerome M. Hughes
President of the Senate

Dear Sir:

The following appointment as Commissioner of the Department of Finance is hereby respectfully submitted to the Senate for confirmation as required by law:

Tom Triplett, 2415 Sheridan Ave. S., Minneapolis, Hennepin County, has been appointed by me, effective October 21, 1987, for a term expiring the first Monday in January, 1991.

(Referred to the Committee on Finance.)

Sincerely,
Rudy Perpich, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 974, 1970, 2090 and 2376.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 29, 1988

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 1711: A bill for an act relating to Aitkin county; permitting the county to regulate certain public land interests by ordinance.

There has been appointed as such committee on the part of the House: Ogren; Carlson, D. and Solberg.

Senate File No. 1711 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 28, 1988

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 1622: A bill for an act relating to agriculture; clarifying which debtors are eligible for mediation; amending Minnesota Statutes 1986, section 583.24, subdivision 2.

There has been appointed as such committee on the part of the House: Sparby, Wenzel and Steensma.

Senate File No. 1622 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 28, 1988

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 321: A bill for an act relating to public safety; expanding the crimes of driving a motor vehicle or a motorboat while under the influence of alcohol or certain substances; amending Minnesota Statutes 1986, sections 169.121, subdivisions 1 and 2; and 361.12, subdivisions 1 and 4.

There has been appointed as such committee on the part of the House: Jacobs, Carruthers and Dempsey.

Senate File No. 321 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 28, 1988

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1846:

H.F. No. 1846: A bill for an act relating to environment; authorizing inspection of certain records kept by waste facilities; providing penalties; proposing coding for new law in Minnesota Statutes, chapter 115A.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Price, Bishop and Beard have been appointed as such committee on the part of the House.

House File No. 1846 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 28, 1988

Mr. Diessner moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1846, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 1817:

H.F. No. 1817: A bill for an act relating to watercraft; requiring lifesaving devices in duck boats; amending Minnesota Statutes 1986, section 361.141, subdivision 1.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Stanius, Neuenschwander and Reding have been appointed as such committee on the part of the House.

House File No. 1817 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 28, 1988

Mr. Wegscheid moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1817, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2245:

H.F. No. 2245: A bill for an act relating to education; providing aids for education and the distribution of tax revenues; increasing the basic formula allowance; setting the general education levy; modifying the transportation aid and levy formulas; creating an American Indian education council; requiring a study of Indian education; requiring the development of a new model for secondary vocational instruction; modifying the community education formulas; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; encouraging integrated learning environments; making technical corrections to the cooperative secondary facilities grant act; providing for the sale of permanent school fund lands; requiring the signing of an education statement; requiring certain changes in the state high school league; creating a task force on school district reorganization; changing the capital expenditure formulas; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivisions 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.74, subdivision 1; 121.11, subdivision 12; 121.15, subdivisions 6, 7, and by adding a subdivision; 121.612, by adding a subdivision; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by adding a subdivision; 124.271, by adding subdivisions; 124.2711, by adding a subdivision; 124A.036, subdivision 2; 126.14, subdivision 1; 126.151; 126.56, subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 260.015, subdivision 19; 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivision 1; 121.612, subdivision 3; 121.87, subdivision 1a; 123.3515, subdivisions 1, 2, 3, 5, 6, 9, and by adding a subdivision; 124.214, subdivision 3; 124.223; 124.225, subdivision 4b; 124.26, subdivision 1b; 124.271, subdivision 2b; 124.2711, subdivision 1; 124.494, subdivisions 5 and 6; 124.573, subdivision 2b, and by adding subdivisions; 124A.036, subdivision 5; 124A.22, subdivisions 2, 3, and 6; 124A.23, subdivisions 1, 2, 3, and by adding subdivisions; 124A.24; 124A.25, subdivisions 2, 4, and by adding a subdivision; 125.185, subdivision 4; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.666, by adding a subdivision; 126.70, subdivision 2a; 129.121, subdivision 1; 129B.11, subdivisions 1 and 2, and by adding a subdivision; 275.125, subdivisions 5 and 8; Laws 1987, chapter 398, article 1, section 27, subdivision 3; article 2, section 13, subdivision 2; article 3, section 39, subdivision 8; article 5, section 2, subdivision 12; article 6, section 19, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 122; 124; 124A; 126; 129B; 145; repealing Minnesota Statutes 1986, section 124.245, subdivision 4; Minnesota Statutes 1987 Supplement, sections 121.11, subdivision 16; 124.244; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; and 275.125, subdivisions 6e and 11c.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Nelson, K.; McEachern; Vellenga; Bauerly and Ozment have been appointed as such committee on the part of the House.

House File No. 2245 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 28, 1988

Mr. Peterson, R.W. moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2245, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

Pursuant to Joint Rule 3.02, the Conference Committee on House File No. 1138 was discharged after adjournment May 18, 1987 and the bill was laid on the table.

H.F. No. 1138: A bill for an act relating to small business; requiring use of certain socially and economically disadvantaged subcontractors; removing a five-year eligibility limitation; modifying the definition of small business; amending Minnesota Statutes 1986, sections 16B.19, subdivision 6; 16B.22; and 645.445, subdivisions 2 and 3.

I have the honor to announce that on March 28, 1988, House File No. 1138 was taken from the table and new House conferees were appointed.

Osthoff, Scheid and Sarna have been appointed as such committee on the part of the House.

House File No. 1138 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 28, 1988

Ms. Peterson, D.C. moved that H.F. No. 1138 be laid on the table. The motion prevailed.

Mr. President:

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

S.F. No. 1632: A bill for an act relating to Ramsey County; authorizing a coordinated erosion and sediment control pilot program.

Senate File No. 1632 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 29, 1988

Mr. Benson moved that S.F. No. 1632 be laid on the table. The motion prevailed.

REPORTS OF COMMITTEES

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

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

S.F. No. 1430: A bill for an act relating to public safety; establishing the cigarette fire safety act; prohibiting the sale of cigarettes and little cigars that do not meet certain standards for fire safety; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 299F.

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

Page 2, delete section 5

Page 2, line 34, delete "6" and insert "5"

Page 2, delete line 35 and insert "*This act is*"

Page 2, line 36, delete the period and insert "*, except that*"

Amend the title as follows:

Page 1, line 5, delete "appropriating money;"

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

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

S.F. No. 1891: A bill for an act relating to waste management; requiring certain buildings to provide space for recycling; changing the definition of recyclable materials; specifying the responsibilities of the legislative commission on waste management; adding containment of hazardous waste as an item for which the waste management board may make grants; making industrial waste facilities eligible for processing facility loans; creating additional loan and grant programs for waste tire management; banning used oil from placement on the land; removing the county fee cap for waste disposal in the metropolitan area; providing for interim classification of incinerator ash; adding the chair of the waste management board to the environmental quality board; repealing the expiration date of the legislative commission on waste management; appropriating money; amending Minnesota Statutes 1986, sections 16B.24, subdivision 6; 16B.61, by adding a subdivision; 115A.03, subdivision 25a; 115A.14, subdivision 4; 115A.156, subdivision 3; 115A.165; 115A.912; 115A.919; 115B.17, by adding a subdivision; 473.803, subdivision 4; Minnesota Statutes 1987 Supplement, sections 115A.156, subdivisions 1 and 2; 115A.162; 115A.48; 115A.916; and 116C.03, subdivision 2; Laws 1980, chapter 564, article XII, section 1, subdivision 3, as amended; Laws 1987, chapters 348, section 51, subdivision 1; and 404, section 24, subdivisions 4 and 6; proposing coding for new law in Minnesota Statutes, chapters 115A and 325E; repealing Minnesota Statutes 1986, sections 115A.14, subdivision 6; 115A.90, subdivision 4; 473.149, subdivision 2b; 473.803, subdivision 1a; 473.806;

and 473.833; Minnesota Statutes 1987 Supplement, sections 115A.14, subdivision 5; 115A.41; 116.55; and 116M.07, subdivision 14.

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

Page 2, line 31, delete "is" and insert "be"

Page 8, line 12, delete "only"

Page 8, line 14, after the comma, insert "only"

Page 10, line 27, delete "\$1,000" and insert "\$2,500"

Page 11, after line 14, insert:

"Sec. 17. Minnesota Statutes 1987 Supplement, section 115A.921, is amended to read:

115A.921 [CITY OR TOWN FEE AUTHORITY.]

A city or town may impose a fee, not to exceed 25 35 cents per cubic yard of waste, or its equivalent, on operators of facilities for the disposal of mixed municipal solid waste located within the city or town. The revenue from the fees must be credited to the city or town general fund and. *Revenue produced by 25 cents of the fee must be used only for purposes of landfill abatement or for purposes of mitigating and compensating for the local risks, costs, and other adverse effects of facilities. Revenue produced by ten cents of the fee may be used for any general fund purpose.* Waste residue from energy and resource recovery facilities at which solid waste is processed for the purpose of extracting, reducing, converting to energy, or otherwise separating and preparing solid waste for reuse shall be exempt from one-half the amount of the fee imposed by a city or town under this section if there is at least an 85 percent volume reduction in the solid waste processed. Before any fee is reduced, the verification procedures of section 473.843, subdivision 1, paragraph (c), must be followed and submitted to the appropriate city or town."

Page 11, line 18, delete "shall be" and insert "is"

Page 11, line 19, delete "which shall expire upon the" and insert "that expires"

Page 11, line 20, delete "occurrence of" and insert "when" and delete "events" and insert "occurs"

Page 11, lines 27 and 29, delete "shall" and insert "must"

Page 11, line 33, delete "shall be" and insert "is" and delete "subsequently" and insert "later"

Page 11, line 34, delete "shall be construed to limit application" and insert "limits liability"

Page 11, line 35, delete "of" and insert "under" and delete "to" and insert "for"

Page 12, line 4, delete "of the agency"

Page 12, line 16, delete "deposited in" and insert "credited to"

Page 15, delete section 24

Page 16, delete lines 23 to 31 and insert:

"\$576,300 is appropriated from the motor vehicle transfer fund to the waste management board for waste tire management programs and waste oil loans and grants and market feasibility studies."

Page 16, line 32, delete "These appropriations are" and insert "This appropriation is"

Page 16, lines 39 and 41, delete "18" and insert "19"

Page 17, line 9, delete "18, 23, 24, 26, and 27," and insert "19, 24, 25 and 26"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 25, before "and" insert "115A.921;"

Page 1, line 29, delete "subdivisions 4 and 6" and insert "subdivision 4"

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

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

H.F. No. 2524: A bill for an act relating to local government; including certain parcels in a tax increment financing district located in the city of Virginia.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

CITY OF VIRGINIA

Section 1. [TAX INCREMENT FINANCING DISTRICT; PARCELS INCLUDED.]

Redevelopment tax increment financing district No. 1 in enterprise zone development district No. 3 in the city of Virginia, is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to include the following parcels of real property as of June 12, 1984:

(1) Parcel No. 90-124-245 - Ely 79.2' of Lot 1 and all of Lot 2, Block 3, Olcott Addition;

(2) Parcel No. 90-125-247 - Lot 3, Block 3, Olcott Addition; and

(3) Parcel No. 90-125-270 - Lot 4, Block 3, Olcott Addition.

Sec. 2. [ORIGINAL ASSESSED VALUE.]

The original assessed value of the parcels of real property described in section 1 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the original assessed value of those parcels as of June 12, 1984.

Sec. 3. [CAPTURED ASSESSED VALUE.]

The captured assessed value of the parcels of real property described in section 1 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the increased assessed value of those parcels computed in the manner prescribed by Minnesota Statutes, section 469.177, and in accordance with this article.

Sec. 4. [EFFECTIVE DATE.]

This article is effective upon its approval by the city council of the city of Virginia and compliance with Minnesota Statutes, section 645.021.

ARTICLE 2

STATEWIDE

Section 1. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 7, is amended to read:

Subd. 7. [ORIGINAL ASSESSED VALUE.] (a) *Except as provided in paragraph (b), "original assessed value" means the assessed value of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original assessed value the assessed value of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the assessed value of the property shall be the assessed value as most recently determined by the commissioner of revenue.*

(b) *The original assessed value of any designated hazardous substance site or hazardous substance subdistrict shall be determined on January 2 following the date the agency or municipality certifies to the county auditor that the agency or municipality has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan, the original assessed value shall be equal to the assessed value of the parcel, as most recently determined by the commissioner of revenue, less the reasonable and necessary costs of the removal actions and remedial actions to be undertaken with respect to the parcel as certified to the county auditor by the municipality or agency but not less than zero.*

(c) *The original assessed value shall be increased by the amount by which it was reduced pursuant to paragraph (b) upon certification by the municipality that the costs of the removal actions and remedial actions have been paid or reimbursed.*

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly-owned property.

(e) *The terms "removal," "remedial," "action," "hazardous substance," and "pollutant or contaminant" have the meanings assigned by section 115B.02. The term "development response action plan" has the meaning given under section 3.*

Sec. 2. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; or

(3) less than 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements, but due to unusual terrain or soil deficiencies requiring substantial filling, grading, or other physical preparation for use at least 80 percent of the total acreage of such land has a fair market value upon inclusion in the redevelopment district which, when added to the estimated cost of preparing that land for development, excluding costs directly related to roads as defined in section 160.01 and local improvements as described in section 429.021, subdivision 1, clauses 1 to 7, 11 and 12, and 430.01, if any, exceeds its anticipated fair market value after completion of the preparation. No parcel shall be included within a redevelopment district pursuant to this paragraph unless the authority has concluded an agreement or agreements for the development of at least 50 percent of the acreage having the unusual soil or terrain deficiencies, which agreement provides recourse for the authority should the development not be completed; or

(4) the property consists of underutilized air rights existing over a public street, highway, or right-of-way; or

(5) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(6) the district consists of an existing or proposed industrial park no greater in size than 250 acres, which contains a sewage lagoon contaminated with polychlorinated biphenyls.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) For districts approved under section 469.175, subdivision 3, or for

noncontiguous areas added to existing districts after April 1, 1988, if the district consists of two or more noncontiguous geographic areas, each area must qualify as a redevelopment district under clauses (a)(1) to (a)(6) in order to be included in the district, and the area of the entire district must satisfy the requirements of paragraph (a).

Sec. 3. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 16. [DESIGNATED HAZARDOUS SUBSTANCE SITE.] "Designated hazardous substance site" means any parcel or parcels with respect to which the authority or municipality has certified to the county auditor that the authority or municipality has entered into a redevelopment or other agreement providing for, or otherwise has available to it funds, including, without limitation, tax increment which would be made available pursuant to section 469.175, subdivision 1, to finance the removal actions or remedial actions specified in a development response action plan. For purposes of this section, a plan or proposal for removal actions or remedial actions constitutes a development response action plan if the actions contained in the plan or proposal are:

(1) requested by the agency or its commissioner pursuant to section 115B.17, 115C.03, or other law; or

(2) proposed to the commissioner of the pollution control agency by a municipality to respond to a release or threatened release of a hazardous substance, pollutant, contaminant, or petroleum.

Sec. 4. [469.174] [TOWN AUTHORITY.]

No town may be authorized after the date of enactment of this act to exercise powers under sections 469.174 to 469.179 unless the town has the authority to exercise powers under section 368.01, is located within the metropolitan area as defined in section 473.121, subdivision 2, and has a population in excess of 5,000 persons.

Sec. 5. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

- (ii) amount of bonded indebtedness to be incurred;
- (iii) sources of revenue to finance or otherwise pay public costs;
- (iv) the most recent assessed value of taxable real property within the tax increment financing district;
- (v) the estimated captured assessed value of the tax increment financing district at completion; and
- (vi) the duration of the tax increment financing district's existence; ~~and~~
- (6) ~~a statement~~ *statements* of the authority's ~~estimate~~ *alternate estimates* of the impact of tax increment financing on the assessed values of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. *For purposes of one statement, the authority shall assume that the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district;*
- (7) *identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and*
- (8) *identification of all parcels to be included in the district.*

Sec. 6. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. *The information on the fiscal and economic implications of the plan must be provided to the county and school district boards at least 30 days before the public hearing required by subdivision 3. The 30-day requirement is waived if the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information.* The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. ~~The county auditor shall not certify the original assessed value of a district pursuant to section 469.177, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first.~~ Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of ~~energy~~ *trade* and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Sec. 7. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, or an economic development district; *if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, clauses (a)(1) to (a)(6), shall be retained and made available to the public by the authority until the district has been terminated.*

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 8. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 4, is amended to read:

Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area of the project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on the debt if that determination

was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured assessed value to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing, and findings required for approval of the original plan; provided that if an authority changes the type of district from housing, redevelopment, or economic development to another type of district, this change shall not be considered a modification but shall require the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the assessed valuation of the district by the county auditor. *If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, clauses (a)(1) to (a)(6), shall be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current assessed value of the parcels eliminated from the district equals or exceeds the assessed value of those parcels in the district's original assessed value or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original assessed value will be reduced by no more than the current assessed value of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.*

(b) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original assessed value by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979, except that development districts created pursuant to Minnesota Statutes 1978, chapter 472A, prior to August 1, 1979, may be reduced but shall not be enlarged after five years following the date of designation of the district.

Sec. 9. Minnesota Statutes 1987 Supplement, section 469.175, is amended by adding a subdivision to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT.] (a) *A municipality or authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing and findings required for approval of the original plan. The geographic area of the subdistrict shall be made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality shall make the findings under paragraphs (b) to (d), and shall set forth in writing the reasons and supporting facts for each.*

(b) *The proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.*

(c) *Other parcels that are not designated hazardous substance sites are*

expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

Sec. 10. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 1, is amended to read:

Subdivision 1. [DURATION OF TAX INCREMENT FINANCING DISTRICTS.] (a) Subject to the limitations contained in paragraphs (b) to (f), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) (i) *For districts certified after August 1, 1979, no tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, provided that for districts approved under section 469.175, subdivision 3, after April 1, 1988, if bonds or obligations issued to implement the district's tax increment financing plan are exempt from federal and state income taxes, the duration of the district is 20 years. No tax increment shall in any event be paid to the authority after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district. In the case of a redevelopment district that has a maximum duration of 20 years under this subdivision, the authority may waive receipt of increment for the first year in which property tax is paid by captured assessed value. For purposes of determining the duration limits the waived increment does not constitute receipt of increment.*

(ii) For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after ~~30 years from August 1, 1979~~ April 1, 2001, or the term of a bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment shall begin on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certification under section 469.174, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.174, subdivision 7, paragraph (b). The extended period for collection of tax increment shall be the lesser of: (1) 25 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 11. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 4, is amended to read:

Subd. 4. [LIMITATION ON USE OF TAX INCREMENT.] (a) All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.134, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve. *Tax increments may be used to pay for the county's actual administrative expenses under sections 469.174 to 469.179; the county may require payment of those expenses by February 15 of the year after the year in which the expenses are incurred. The amount of these payments are not required to be set forth in the tax increment financing*

plan for the project. To obtain payment for actual administrative costs, the county auditor must submit to the authority a record of costs incurred by the county auditor related to administration of the authority's tax increment financing districts. Revenue derived from tax increment from a mined underground space development district may be used only to pay for the costs of excavating and supporting the space, of providing public access to the mined underground space including roadways, and of installing utilities including fire sprinkler systems in the space. Revenue derived from tax increment from a district approved under section 469.175, subdivision 3, after April 1, 1988, all or a portion of which qualified as a redevelopment district under section 469.174, subdivision 10, paragraph (3), or from parcels added to an existing district of that type after April 1, 1988, may be used only to (1) acquire parcels on which the improvements described in clause (2) will occur; (2) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and (3) pay for the administrative expenses of the authority allocable to the district. The sale by the authority of a parcel acquired and improved as described in clauses (1) and (2) must be for a price that is no less than the cost of acquisition. No less than one-half of the revenue derived from tax increment from a housing project must be used to finance or otherwise pay the cost of land acquisition, site improvements, public improvements directly related to, and construction or renovation of a project consisting of housing described in section 469.174, subdivision 11, including allocated administration costs.

(b) Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 469.012, subdivisions 7 to 10, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an interest reduction program for owner-occupied single-family dwellings.

(c) These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment *from any district, whether certified before or after August 1, 1979, shall be used for the acquisition, construction or, renovation, operation, or maintenance of a municipally owned building to be used primarily and regularly for conducting the business of the a municipality, county, school district, or any other local unit of government or the state or federal government.* This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality.

(d) *If a tax increment district is located in a municipality, parts of which are situated in more than one county, the revenue derived from tax increments from parcels located in one county must be expended for the direct and primary benefit of a project located or conducted within that county.*

unless the county boards of each of the counties involved agree to waive this requirement.

Sec. 12. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 5, is amended to read:

Subd. 5. [REQUIREMENT FOR AGREEMENTS.] No more than 25 percent, by acreage, of the property to be acquired within a project which contains a redevelopment district, or ten percent, by acreage, of the property to be acquired within a project which contains a housing or economic development district, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 469.178 unless prior to acquisition in excess of the percentages, the authority has concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed. *This subdivision does not apply to a parcel of a district that is a designated hazardous substance site established under section 3 or part of a hazardous substance subdistrict established under section 9.*

Sec. 13. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 6, is amended to read:

Subd. 6. [ACTION REQUIRED.] (a) If, after four years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original assessed value of that parcel shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the assessed value thereof as most recently certified by the commissioner of revenue and add it to the original assessed value of the tax increment financing district. *The county auditor must enforce the provisions of this subdivision. The authority must by February 1 of the fifth year following the year in which a parcel was certified as included in the district submit to the county auditor evidence that the required activity has taken place for each parcel in the district.*

(b) This subdivision applies to all tax increment districts, whether created before or after August 1, 1979. The subdivision applies to districts created before August 1, 1979 as provided in this paragraph. The four-year period is deemed to begin April 1, 1988, provided that activity on or improvements to a parcel occurring prior to that date qualify the parcel for retention in the district. The authority must submit the evidence of activity or improvements for each parcel to the county auditor, as required by paragraph (a), by June 1, 1992. In the case of a district or a portion of a district for which no tax increment financing plan has been prepared, improvements are deemed to have been commenced "in accordance with the tax increment

financing plan" when one of the following conditions is met:

(1) acquisition or improvement of the parcel was financed by the authority with increment revenues or with the proceeds of tax increment bonds or with other funds of the authority after the inclusion of the parcel in the district;

(2) public improvements, excluding sewer and water improvements, were installed or constructed on the parcel or on land adjacent to the parcel after inclusion of the parcel in the district and the improvements were financed with increments or other authority revenues, but excluding general city revenues or special assessments if the authority is the same as the municipality;

(3) construction of the improvements occurred on the parcel and the municipality passes a resolution stating that the improvements or other improvements of approximately equal (or greater) market value would not have occurred if the authority had not undertaken efforts of the type specified in clauses (1) or (2) on other parcels in the district. If the authority submits evidence that (i) at least 60 percent of the parcels, or (ii) parcels comprising at least 60 percent of the geographic area in the district, or (iii) parcels from which is derived at least 60 percent of the captured assessed value of the district, meet the requirements of this paragraph by June 1, 1992, all parcels may remain in the district notwithstanding the provisions of paragraph (a).

(c) In the case of tax increment projects for which certification was requested before August 1, 1979, and for which a defeased bond was outstanding on April 1, 1988, the provisions of paragraphs (a) and (b) apply as specified in this paragraph. Increments shall continue to be collected from parcels that fail to meet the requirements of paragraphs (a) and (b). The authority or other administering entity shall deposit these increments in a separate account in the debt service or other bond fund to defease bonds outstanding on April 1, 1988, for the project. The amount of funds in the separate account shall not affect or be considered in computation of the amount required to be deposited in the regular debt service fund under the bond resolution, indenture, or other contract. When the sum of the amount in the regular debt service fund and the separate account are sufficient to fully defease the bonds outstanding on April 1, 1988, for the project or when such bonds are fully defeased or paid by refunding or otherwise, increments may no longer be collected from a parcel that does not satisfy the requirements of paragraphs (a) and (b).

Sec. 14. Minnesota Statutes 1987 Supplement, section 469.176, is amended by adding a subdivision to read:

Subd. 8. [ECONOMIC DEVELOPMENT DISTRICTS.] No economic development district may be created after the date of final enactment of this act. The geographic boundaries of an economic development district created before that date may not be expanded after that date.

Sec. 15. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL ASSESSED VALUE.] Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the

amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development district the county auditor shall certify the original assessed value as zero, plus the assessed value, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. *For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after April 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original assessed value of that property shall be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.* The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value assessed by the assessor at the time of the transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4. *For districts approved under section 469.175, subdivision 3, after April 1, 1988, if the assessed value of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, the increase in assessed value must be added to the original assessed value.* Each year the auditor shall also add to the original assessed value of each economic development district an amount equal to the original assessed value for the preceding year multiplied by the average percentage increase in the assessed valuation of all property included in the economic development district during the five years prior to certification of the district. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

Sec. 16. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 3, is amended to read:

Subd. 3. [TAX INCREMENT, RELATIONSHIP TO CHAPTER 473F]

(a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original assessed value and the current assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current assessed value shall exclude any fiscal disparity commercial-industrial assessed value increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F08, subdivision 6. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to ~~part~~ *paragraph* (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to ~~clause~~ *paragraph* (a) or (b) shall remain the same for the duration of the district, *except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method*

in paragraph (b).

Sec. 17. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 3a. [PAYMENT TO SCHOOL DISTRICT FOR REFERENDUM LEVY INCREASE.] If a tax increment financing district is located in a school district in which the voters have approved new millage or an increase in millage pursuant to section 124A.03, subdivision 2, the authority must pay to the school district the amount raised by the new or increased millage. The amount to be paid to the school district must be computed as follows:

(1) Subtract the mill rate approved by the voters of the school district pursuant to section 124A.03, subdivision 2, as of June 30, 1988, or the date the tax increment financing district was certified, whichever is later, and still in effect on the date the levy is certified, from the mill rate approved by the voters under that section as of the date the levy is certified. If the result is less than zero, select zero.

(2) Multiply the result in clause (1) by the ratio of the school district's actual levy certified pursuant to section 124A.03, subdivision 2, to its permitted levy under that section.

(3) Multiply the result in clause (2) by the retained captured assessed value of the authority located within that school district as of January 2 of the year in which the levy is certified.

The county auditor must compute the payment required by this subdivision and report the amount to the authority, the school district, and the commissioner of education by March 1 of each year. The payment must be made by November 1 of the year in which the property taxes are payable.

Sec. 18. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 4, is amended to read:

*Subd. 4. [PRIOR PLANNED IMPROVEMENTS.] The authority shall, after diligent search, accompany its request for certification to the county auditor pursuant to subdivision 1, or its notice of district enlargement pursuant to section 469.175, subdivision 4, with a listing of all properties within the tax increment financing district or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 469.175, subdivision 3. The county auditor shall increase the original assessed value of the district by the assessed valuation of ~~the improvements~~ *each improvement* for which ~~the~~ *a* building permit was issued, ~~excluding the assessed valuation of improvements for which a building permit was issued during the three-month period immediately preceding said approval of the tax increment financing plan, as certified by the assessor during the 18-month period immediately preceding approval of the plan, as well as by the assessed valuation of each improvement for which a building permit is issued during the three-month period immediately following approval of the plan. In the case of a permit issued during the three-month period immediately before or the three-month period immediately after approval of the plan, the county auditor shall not increase the original assessed value if the authority has financed an improvement to the parcel or to an immediately adjacent parcel pursuant to this tax increment plan that occurs within three years of the certification of the district.~~*

Sec. 19. Minnesota Statutes 1987 Supplement, section 469.179, is amended to read:

469.179 [EXISTING PROJECTS.]

Subdivision 1. [EXEMPTION.] The provisions of sections 469.174 to 469.178 shall not affect any project for which tax increment certification was requested pursuant to law prior to August 1, 1979, or any project carried on by an authority pursuant to section 469.033, subdivision 5, with respect to which the governing body has by resolution designated properties for inclusion in the district prior to August 1, 1979, except:

- (1) as otherwise expressly provided in sections 469.174 to 469.178; or
- (2) as an authority elects to proceed with an existing district, under the provisions of sections 469.174 to 469.178; or
- (3) ~~that any enlargements of the geographic area of an existing tax increment financing district subsequent to August 1, 1979, shall be accomplished in accordance with and shall subject the property added as a result of the enlargement to the terms and conditions of sections 469.174 to 469.178 as provided in subdivision 2; or~~
- (4) ~~that beginning with taxes payable in 1980, section 469.177, subdivision 3, clause (b), shall apply to all development districts created pursuant to Minnesota Statutes 1978, chapter 472A, or any special law, prior to August 1, 1979.~~

Subd. 2. [APPLICATION TO EXISTING DISTRICTS.] ~~If the development or redevelopment activity within the project or district of a tax increment financing project certified prior to August 1, 1979, is extended beyond the scope of activity set forth in the district's redevelopment plan under Minnesota Statutes, chapter 462, or Minnesota Statutes, chapter 472A, if applicable, after April 1, 1988, the authority must with regard to the new activity conform to the provisions of sections 469.174 to 469.178 with the following exceptions.~~

- ~~(a) Section 469.175, subdivision 3, paragraphs (1) and (5), shall not apply. Furthermore, the provisions of section 473F02, subdivision 3, shall continue to apply to the entire district, if applicable.~~
- ~~(b) Section 469.177, subdivision 3, shall not apply.~~

Sec. 20. Minnesota Statutes 1986, section 475.51, subdivision 5, is amended to read:

Subd. 5. "Assessed value" means the latest valuation for purposes of taxation, as finally equalized, of all property taxable within the municipality but not including captured assessed value under section 469.174, subdivision 4, or any other law permitting collection of tax increments.

Sec. 21. [EFFECTIVE DATE.]

Except as provided otherwise, sections 2, 5, 6, 7, and 18 are effective for districts approved under section 469.175, subdivision 3, after April 1, 1988. Sections 8, 13, 16, and 19 are effective April 1, 1988. The amendment to clause (c) of section 11 is effective for expenditures after April 1, 1988, except to the extent that the authority had entered into a binding contract before March 31, 1988, to make expenditures prohibited by that section. Section 17 applies to taxes levied in 1988, payable in 1989, and thereafter, as a result of a referendum held after December 31, 1986, and

applies to tax increment districts created before or after the date of enactment of this act. Section 20 is effective for bonds issued after March 31, 1988."

Delete the title and insert:

"A bill for an act relating to local government; including certain parcels in a tax increment financing district located in the city of Virginia; providing or altering certain requirements for the use of tax increment financing; amending Minnesota Statutes 1986, section 475.51, subdivision 5; Minnesota Statutes 1987 Supplement, sections 469.174, subdivisions 7, 10, and by adding a subdivision; 469.175, subdivisions 1, 2, 3, 4, and by adding a subdivision; 469.176, subdivisions 1, 4, 5, 6, and by adding a subdivision; 469.177, subdivisions 1, 3, 4, and by adding a subdivision; and 469.179; proposing coding for new law in Minnesota Statutes, chapter 469."

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

Mr. Chmielewski from the Committee on Employment, to which was referred

S.F. No. 2428: A bill for an act relating to workers' compensation; regulating workers' compensation benefits and administration; regulating workers' compensation insurance; requiring certain reports relating to workers' compensation; amending Minnesota Statutes 1986, sections 79.251, subdivisions 2, 3, and 4; 79.252, subdivision 1; 176.011, subdivision 18, and by adding a subdivision; 176.021, subdivision 3; 176.061, subdivision 10; 176.101, subdivisions 1, 2, 4, 5, and 6, and by adding a subdivision; 176.102, subdivisions 1, 7, 9, and 11; 176.105, subdivision 1; 176.111, subdivisions 6, 7, 8, 12, 14, and 20; 176.131, subdivisions 2, 3, and 4; 176.132, subdivisions 1 and 2; 176.135, by adding a subdivision; 176.645, subdivision 2; 176.66, subdivision 11; 176.82; Minnesota Statutes 1987 Supplement, sections 176.102, subdivisions 3, 3a, and 4; 176.111, subdivisions 15 and 21; and 176.131, subdivisions 1 and 8; proposing coding for new law in Minnesota Statutes, chapters 79 and 176; repealing Minnesota Statutes 1986, sections 79.50; 79.51; 79.52; 79.53; 79.54; 79.55; 79.56; 79.57; 79.58; 79.59; 79.60; 79.61; and 79.62; 176.011, subdivision 26; and 176.101, subdivisions 3a to 3u.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1 WORKERS' COMPENSATION SYSTEM CHANGES

Section 1. Minnesota Statutes 1986, section 176.011, subdivision 11a, is amended to read:

Subd. 11a. [FAMILY FARM.] "Family farm" means any farm operation which (1) pays or is obligated to pay less than ~~\$8,000~~ \$20,000 in cash wages, exclusive of machine hire, to farm laborers for services rendered during the preceding calendar year, and (2) has total liability and medical payment coverage equal to \$250,000 and \$5,000, respectively, under a farm liability insurance policy. For purposes of this subdivision, farm laborer does not include any spouse, parent or child, regardless of age, of

a farmer employed by the farmer, or any executive officer of a family farm corporation as defined in section 500.24, subdivision 2, or any spouse, parent or child, regardless of age, of such an officer employed by that family farm corporation, or other farmers in the same community or members of their families exchanging work with the employer. Notwithstanding any law to the contrary, a farm laborer shall not be considered as an independent contractor for the purposes of this chapter; provided that a commercial baler or commercial thresher shall be considered an independent contractor.

Sec. 2. Minnesota Statutes 1986, section 176.011, subdivision 18, is amended to read:

Subd. 18. [WEEKLY WAGE.] "Weekly wage" is arrived at by multiplying the daily wage by the number of days and fractional days normally worked in the business of the employer for the employment involved. If the employee normally works less than five days per week or works an irregular number of days per week, the number of days normally worked shall be computed by dividing the total number of days in which the employee actually performed any of the duties of employment in the last 26 weeks by the number of weeks in which the employee actually performed such duties, provided that the weekly wage for part time employment during a period of seasonal or temporary layoff shall be computed on the number of days and fractional days normally worked in the business of the employer for the employment involved. If, at the time of the injury, the employee was regularly employed by two or more employers, the employee's days of work for all such employments shall be included in the computation of weekly wage. Occasional overtime is not to be considered in computing the weekly wage, but if overtime is regular or frequent throughout the year it shall be taken into consideration. The maximum weekly compensation payable to an employee, or to the employee's dependents in the event of death, shall not exceed ~~66 2/3~~ 80 percent of the product of the daily wage times the number of days normally worked employee's after-tax weekly wage, provided that the compensation payable for permanent partial disability under section 176.101, subdivision 3, and for permanent total disability under section 176.101, subdivision 4, or death under section 176.111, shall not be computed on less than the number of hours normally worked in the employment or industry in which the injury was sustained, subject also to such maximums as are specifically otherwise provided.

Sec. 3. Minnesota Statutes 1986, section 176.011, is amended by adding a subdivision to read:

Subd. 18a. [AFTER-TAX WEEKLY WAGE.] *After-tax weekly wage means the weekly wage reduced by the amounts required to be withheld by the Federal Insurance Contributions Act, United States Code, Title 16, sections 3101 to 3126, but without regard to the yearly maximum, and by state and federal income tax laws using as the number of allowances the number of exemptions that the employee is entitled to under federal law for the employee and the employee's dependents.*

Sec. 4. Minnesota Statutes 1986, section 176.021, subdivision 3, is amended to read:

Subd. 3. [COMPENSATION, COMMENCEMENT OF PAYMENT.] All employers shall commence payment of compensation at the time and in the manner prescribed by this chapter without the necessity of any agreement or any order of the division. Except for medical, burial, and other

nonperiodic benefits, payments shall be made as nearly as possible at the intervals when the wage was payable; provided, however, that payments for permanent partial disability shall be governed by section 176.101. If doubt exists as to the eventual permanent partial disability, payment for the economic recovery compensation or impairment compensation, whichever is due, pursuant to section 176.101, shall be then made when due for the minimum permanent partial disability ascertainable, and further payment shall be made upon any later ascertainment of greater permanent partial disability. Prior to or at the time of commencement of the payment of economic recovery compensation or lump sum or periodic payment of impairment compensation permanent partial disability compensation, the employee and employer shall be furnished with a copy of the medical report upon which the payment is based and all other medical reports which the insurer has that indicate a permanent partial disability rating, together with a statement by the insurer as to whether the tendered payment is for minimum permanent partial disability or final and eventual disability. After receipt of all reports available to the insurer that indicate a permanent partial disability rating, the employee shall make available or permit the insurer to obtain any medical report that the employee has or has knowledge of that contains a permanent partial disability rating which the insurer does not already have. Economic recovery compensation or impairment compensation pursuant to section 176.101 is payable in addition to but not concurrently with compensation for temporary total disability but is payable pursuant to section 176.101. Impairment compensation is payable concurrently and in addition to compensation for permanent total disability pursuant to section 176.101. Economic recovery compensation or impairment compensation pursuant to section 176.101 shall be withheld pending completion of payment for temporary total disability, and no credit shall be taken for payment of economic recovery compensation or impairment compensation against liability for temporary total or future permanent total disability. Liability on the part of an employer or the insurer for disability of a temporary total, temporary partial, and permanent total nature shall be considered as a continuing product and part of the employee's inability to earn or reduction in earning capacity due to injury or occupational disease and compensation is payable accordingly, subject to section 176.101. Economic recovery compensation or impairment compensation is payable for functional loss of use or impairment of function, permanent in nature, and payment therefore shall be separate, distinct, and in addition to payment for any other compensation, subject to section 176.101. The right to receive temporary total, temporary partial, or permanent total disability payments vests in the injured employee or the employee's dependents under this chapter or, if none, in the employee's legal heirs at the time the disability can be ascertained and the right is not abrogated by the employee's death prior to the making of the payment.

The right to receive economic recovery compensation or impairment permanent partial compensation vests in an injured employee at the time the disability can be ascertained provided that the employee lives for at least 30 days beyond the date of the injury. Upon the death of an employee who is receiving economic recovery compensation or impairment compensation, further compensation is payable pursuant to section 176.101. Impairment compensation is payable under this paragraph if vesting has occurred, the employee dies prior to reaching maximum medical improvement, and the requirements and conditions under section 176.101, subdivision 3e, are not met.

Disability ratings for permanent partial disability shall be based on objective medical evidence.

Sec. 5. Minnesota Statutes 1987 Supplement, section 176.041, subdivision 4, is amended to read:

Subd. 4. [OUT-OF-STATE EMPLOYMENTS.] (a) *Except as provided in paragraph (b), if an employee who regularly performs the primary duties of employment outside of this state or is hired to perform the primary duties of employment outside of this state, receives an injury within this state in the employ of the same employer, such injury shall be covered within the provisions of this chapter if the employee chooses to forego any workers' compensation claim resulting from the injury that the employee may have a right to pursue in some other state, provided that the special compensation fund is not liable for payment of benefits pursuant to section 176.183 if the employer is not insured against workers' compensation liability pursuant to this chapter and the employee is a nonresident of Minnesota on the date of the personal injury.*

(b) An employee who has been hired outside of this state, or regularly performs the primary duties of employment outside of this state, and his employer with respect to that employee, are exempt from the provisions of this chapter while the employee is temporarily within this state performing work for the employer provided the employer has furnished workers' compensation insurance coverage under the workers' compensation law or other similar law of another state which covers the employee's employment while in this state. The benefits under the workers' compensation law or similar law of the other state, or other remedies under that law, are the exclusive remedy against the employer for any injury, whether resulting in death or not, received by the employee while working for that employer within this state. A certificate from the commissioner of labor and industry or other similar official of another state certifying that the employer is insured in that state and has provided extraterritorial coverage insuring its employees while working within this state is prima facie evidence that the employer carries workers' compensation insurance on those employees.

Sec. 6. Minnesota Statutes 1986, section 176.061, subdivision 10, is amended to read:

Subd. 10. [INDEMNITY.] Notwithstanding the provisions of chapter 65B or any other law to the contrary, an employer has a right of indemnity for any compensation paid or payable pursuant to this chapter, including temporary total compensation, temporary partial compensation, permanent partial disability, ~~economic recovery compensation, impairment compensation,~~ medical compensation, rehabilitation, death, and permanent total compensation.

Sec. 7. Minnesota Statutes 1986, section 176.081, subdivision 1, is amended to read:

Subdivision 1. (a) A fee for legal services of 25 percent of the first \$4,000 of compensation awarded to the employee and 20 percent of the next \$27,500 of compensation awarded to the employee is permissible and does not require approval by the commissioner, compensation judge, or any other party except as provided in ~~clause~~ paragraph (b). If the employer or the insurer or the defendant is given written notice of claims for legal services or disbursements, the claim shall be a lien against the amount paid or payable as compensation. In no case shall fees be calculated on the basis

of any undisputed portion of compensation awards. Allowable fees under this chapter shall be based solely upon genuinely disputed portions of claims, including disputes related to the payment of rehabilitation benefits or to other aspects of a rehabilitation plan. Fees for administrative conferences under ~~section 176.242, 176.2421, 176.243, or 176.244~~ *sections 176.106 and 176.239* shall be determined on an hourly basis, according to the criteria in subdivision 5.

(b) An attorney who is claiming legal fees ~~under this section~~ *for representing an employee in a workers' compensation matter* shall file a statement of attorney's fees with the commissioner, compensation judge before whom the matter was heard, or workers' compensation court of appeals on cases before the court. A copy of the signed retainer agreement shall also be filed. The employee and insurer shall receive a copy of the statement. The statement shall be on a form prescribed by the commissioner and shall clearly and conspicuously state that the employee or insurer has ten calendar days to object to the attorney fees requested. If no objection is timely made by the employee or insurer, the amount requested shall be conclusively presumed reasonable providing the amount does not exceed the limitation in subdivision 1. The commissioner, compensation judge, or court of appeals shall issue an order granting the fees and the amount requested shall be awarded to the party requesting the fee. If a timely objection is filed, or the fee is determined on an hourly basis, the commissioner, compensation judge, or court of appeals shall review the matter and make a determination based on the criteria in subdivision 5. If no timely objection is made by an employer or insurer, reimbursement under subdivision 7 shall be made if the statement of fees requested this reimbursement.

(c) *Private attorneys representing employers and insurers may not charge a fee for legal services of more than \$6,500 unless the additional fee is approved under subdivision 2.*

Sec. 8. Minnesota Statutes 1987 Supplement, section 176.081, subdivision 2, is amended to read:

Subd. 2. An application for attorney fees in excess of the amount authorized in subdivision 1 shall be made to the commissioner, compensation judge, or district judge, before whom the matter was heard. An appeal of a decision by the commissioner, a compensation judge, or district court judge on additional fees may be made to the workers' compensation court of appeals. The application shall set forth the fee requested ~~and, the number of hours spent on the case,~~ the basis for the request, and whether or not a hearing is requested. The application, with affidavit of service upon the ~~employee attorney's client,~~ shall be filed by the attorney requesting the fee. If a hearing is requested by an interested party, a hearing shall be set with notice of the hearing served upon known interested parties. In all cases the employee shall be served with notice of hearing.

Sec. 9. Minnesota Statutes 1986, section 176.081, subdivision 3, is amended to read:

Subd. 3. ~~An employee who~~ *A party that* is dissatisfied with its attorney fees, may file an application for review by the workers' compensation court of appeals. Such application shall state the basis for the need of review and whether or not a hearing is requested. A copy of such application shall be served upon the ~~party's attorney for the employee~~ by the court administrator and if a hearing is requested by either party, the matter shall be

set for hearing. The notice of hearing shall be served upon known interested parties. ~~The attorney for the employee shall be served with a notice of the hearing.~~ The workers' compensation court of appeals shall have the authority to raise ~~the question of~~ the issue of the attorney fees at any time upon its own motion and shall have continuing jurisdiction over attorney fees.

Sec. 10. Minnesota Statutes 1986, section 176.101, subdivision 1, is amended to read:

Subdivision 1. [TEMPORARY TOTAL DISABILITY.] (a) For injury producing temporary total disability, the compensation is ~~66-2/3~~ 80 percent of the *after-tax* weekly wage at the time of injury.

~~(1) provided that during the year commencing on October 1, 1979, and each year thereafter, commencing on October 1;~~ (b) The maximum weekly compensation payable is 110 percent of the statewide average weekly wage for the period ending December 31, of the preceding year.

~~(2) (c) The minimum weekly compensation benefits for temporary total disability shall be not less than 50 20 percent of the statewide average weekly wage or the injured employee's actual after-tax weekly wage, whichever is less. In no case shall a weekly benefit be less than 20 percent of the statewide average weekly wage.~~

(d) ~~Subject to subdivisions 3a to 3u~~ This compensation shall be paid during the period of disability, payment to be made at the intervals when the wage was payable, as nearly as may be, *and shall cease whenever any one of the following occurs:*

(1) *the disability ends;*

(2) *the employee returns to work;*

(3) *the employee retires by withdrawing from the labor market;*

(4) *the employee refuses an offer of work that the employee can do in the employee's physical condition; or*

(5) *90 days have passed after the employee has reached maximum medical improvement, except as provided in section 176.102, subdivision 11, paragraph (b);*

(e) *For purposes of paragraph (d), clause (5), the 90-day period after maximum medical improvement commences on the earlier of:*

(1) *the date that the employee receives a written medical report indicating that the employee has reached maximum medical improvement; or*

(2) *the date that the employer or insurer serves the report on the employee and the employee's legal representative and files a copy with the division.*

(f) *Once compensation has ceased under paragraph (d), clauses (1), (2), and (3), it may be recommenced at a later date if: the employee returns to work, the employee is laid off due to economic conditions or is medically unable to continue at the job, and the layoff or inability to continue occurs prior to 90 days after the employee reaches maximum medical improvement. Compensation recommenced under this paragraph is subject to cessation under paragraph (d). Recommended compensation may not be paid beyond 90 days after the employee reaches maximum medical improvement, except as provided under section 176.102, subdivision 11, paragraph (b).*

(g) *Once compensation has ceased under paragraph (d), clauses (4) and*

(5), it may not be recommenced at a later date, except as provided under section 176.102, subdivision 11, paragraph (b).

Sec. 11. Minnesota Statutes 1986, section 176.101, subdivision 2, is amended to read:

Subd. 2. [TEMPORARY PARTIAL DISABILITY.] (a) In all cases of temporary partial disability the compensation shall be ~~66-2/3~~ 80 percent of the difference between the *after-tax* weekly wage of the employee at the time of injury and the *after-tax* weekly wage the employee is able to earn in the employee's partially disabled condition. This compensation shall be paid during the period of disability except as provided in this section, payment to be made at the intervals when the wage was payable, as nearly as may be, and subject to a maximum compensation equal to the statewide average weekly wage.

(b) *Temporary partial compensation may be paid only while the employee is working and earning less than the employee's weekly wage at the time of the injury. Except as provided in section 176.102, subdivision 11, paragraph (b), temporary partial compensation may not be paid for more than 90 days after the employee reaches maximum medical improvement.*

Sec. 12. Minnesota Statutes 1986, section 176.101, is amended by adding a subdivision to read:

Subd. 3. [PERMANENT PARTIAL DISABILITY.] (a) *Compensation for permanent partial disability is as provided in this subdivision. For permanent partial disability up to the percent of the whole body shown in the following schedule, the amount of compensation is equal to the proportion that the loss of function of the disabled part bears to the whole body multiplied by the amount aligned with that percent in the following schedule:*

Percent of Disability	Amount
0-25	\$ 75,000
26-30	80,000
31-35	85,000
36-40	90,000
41-45	95,000
46-50	100,000
51-55	120,000
56-60	140,000
61-65	160,000
66-70	180,000
71-75	200,000
76-80	240,000
81-85	280,000
86-90	320,000
91-95	360,000
96-100	400,000

An employee may not receive compensation for more than a 100 percent disability of the whole body, even if the employee sustains disability to two or more body parts.

(b) *Permanent partial disability is payable upon cessation of temporary total disability under subdivision 1. If the employee is not working, the compensation is payable in installments at the same intervals and in the same amount as the initial temporary total disability rate. If the employee*

returns to work, the remaining compensation is payable in a lump sum 30 days after the employee returned to work provided the employment has not been substantially interrupted by the injury for any part of the 30 days and the employee is still employed at the job at the end of the period.

Sec. 13. Minnesota Statutes 1986, section 176.101, subdivision 4, is amended to read:

Subd. 4. [PERMANENT TOTAL DISABILITY.] For permanent total disability, as defined in subdivision 5, the compensation shall be ~~66-2/3~~ 80 percent of the ~~daily~~ after-tax weekly wage at the time of the injury, subject to a maximum weekly compensation equal to the maximum weekly compensation for a temporary total disability and a minimum weekly compensation equal to the minimum weekly compensation for a temporary total disability. This compensation shall be paid during the permanent total disability of the injured employee but after a total of \$25,000 of weekly compensation has been paid, the amount of the weekly compensation benefits being paid by the employer shall be reduced by the amount of any disability benefits being paid by any government disability benefit program if the disability benefits are occasioned by the same injury or injuries which give rise to payments under this subdivision. This reduction shall also apply to any old age and survivor insurance benefits. Payments shall be made at the intervals when the wage was payable, as nearly as may be. In case an employee who is permanently and totally disabled becomes an inmate of a public institution, no compensation shall be payable during the period of confinement in the institution, unless there is wholly dependent on the employee for support some person named in section 176.111, subdivision 1, 2 or 3, in which case the compensation provided for in section 176.111, during the period of confinement, shall be paid for the benefit of the dependent person during dependency. The dependency of this person shall be determined as though the employee were deceased.

Sec. 14. Minnesota Statutes 1986, section 176.101, subdivision 5, is amended to read:

Subd. 5. [TOTAL DISABILITY DEFINITION.] (a) For purposes of subdivision 4, permanent total disability means only:

(1) the total and permanent loss of the sight of both eyes, the loss of both arms at the shoulder, the loss of both legs so close to the hips that no effective artificial members can be used, complete and permanent paralysis, total and permanent loss of mental faculties; or

(2) any other injury which both results in permanent partial disability of 25 percent or more of the whole body and totally and permanently incapacitates the employee from working at an occupation which brings the employee an income ~~constitutes total disability~~.

(b) For purposes of paragraph (a), clause (2), totally and permanently incapacitated means that the employee's physical disability, in combination with his age, education and training, and experience, causes the employee to be unable to secure anything more than sporadic employment resulting in an insubstantial income. Local labor market conditions may not be considered in making the total and permanent incapacitation determination.

Sec. 15. Minnesota Statutes 1986, section 176.102, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] (a) This section only applies to vocational

rehabilitation of injured employees and their spouses as provided under subdivision 1a. Physical rehabilitation of injured employees is considered treatment subject to section 176.135.

(b) Rehabilitation is intended to restore the injured employee, ~~through physical and vocational rehabilitation,~~ so the employee may return to a job related to the employee's former employment or to a job in another work area which produces an economic status as close as possible to that the employee would have enjoyed without disability. Rehabilitation to a job with a higher economic status than would have occurred without disability is permitted if it can be demonstrated that this rehabilitation is necessary to increase the likelihood of reemployment. Economic status is to be measured not only by opportunity for immediate income but also by opportunity for future income.

Sec. 16. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATORS.] The commissioner shall hire a director of rehabilitation services in the classified service. The commissioner shall monitor and supervise rehabilitation services, including, but not limited to, making determinations regarding the selection and delivery of rehabilitation services and the criteria used to approve qualified rehabilitation consultants and rehabilitation vendors. The commissioner may also make determinations regarding fees for rehabilitation services and *shall by rule, subject to chapter 14, establish a fee schedule or otherwise limit fees charged by qualified rehabilitation consultants and vendors.* The commissioner may hire qualified personnel to assist in the commissioner's duties under this section and may delegate the duties and performance.

Sec. 17. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3, is amended to read:

Subd. 3. [REVIEW PANEL.] There is created a rehabilitation review panel composed of the commissioner or a designee, who shall serve as an ex officio member and ~~two members~~ *one member* each ~~from representing employers, insurers, rehabilitation, and medicine, one member representing chiropractors, and four~~ *two members each* representing labor and *rehabilitation vendors, and six members who are qualified rehabilitation consultants.* The members shall be appointed by the commissioner and shall serve four-year terms which may be renewed. Compensation for members shall be governed by section 15.0575. The panel shall select a chair. The panel shall review and make a determination with respect to appeals from orders of the commissioner regarding certification approval of qualified rehabilitation consultants and vendors. The hearings are de novo and initiated by the panel under the contested case procedures of chapter 14, and are appealable to the workers' compensation court of appeals in the manner provided by section 176.421.

Sec. 18. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 3a, is amended to read:

Subd. 3a. [DISCIPLINARY ACTIONS.] The panel has authority to discipline qualified rehabilitation consultants and vendors and may impose a penalty of up to \$1,000 per violation, and may suspend or revoke certification. Complaints against registered qualified rehabilitation consultants and vendors shall be made to the commissioner who shall investigate all complaints. If the investigation indicates a violation of this chapter or rules

adopted under this chapter, the commissioner may initiate a contested case proceeding under the provisions of chapter 14. In these cases, the rehabilitation review panel shall make the final decision following receipt of the report of an administrative law judge. The decision of the panel is appealable to the workers' compensation court of appeals in the manner provided by section 176.421. The panel shall continuously study rehabilitation services and delivery, develop and recommend rehabilitation rules to the commissioner, and assist the commissioner in accomplishing public education.

The commissioner may appoint alternates for one-year terms to serve as a member when a member is unavailable. The number of alternates shall not exceed one labor member, one employer or insurer member, and one member representing medicine, ~~chiropractic~~, or rehabilitation vendors, and one member representing qualified rehabilitation consultants.

Sec. 19. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 4, is amended to read:

Subd. 4. [REHABILITATION PLAN; DEVELOPMENT.] (a) An employer or insurer shall provide rehabilitation consultation by a qualified rehabilitation consultant or by another person permitted by rule to provide consultation to an injured employee within five days after the employee has 60 days of lost work time due to the personal injury, except as otherwise provided in this subdivision. Where an employee has incurred an injury to the back, the consultation shall be made within five days after the employee has 30 days of lost work time due to the injury. The lost work time in either case may be intermittent lost work time. If an employer or insurer has medical information at any time prior to the time specified in this subdivision that the employee will be unable to return to the job the employee held at the time of the injury rehabilitation consultation shall be provided immediately after receipt of this information.

For purposes of this section "lost work time" means only those days during which the employee would actually be working but for the injury. In the case of the construction industry, mining industry, or other industry where the hours and days of work are affected by seasonal conditions, "lost work time" shall be computed by using the normal schedule worked when employees are working full time. A rehabilitation consultation must be provided by the employer to an injured employee upon request of the employee, the employer, or the commissioner. If a rehabilitation consultation is requested, the employer shall provide a qualified rehabilitation consultant; except that, if the injured employee objects to the employer's selection, the employee may select a qualified rehabilitation consultant of the employee's own choosing within 30 days following the first in-person contact between the employee and the original qualified rehabilitation consultant. If the consultation indicates that rehabilitation services are appropriate pursuant to subdivision 1, the employer shall provide such services.

(b) The qualified rehabilitation consultant appointed by the employer or insurer shall disclose in writing at the first meeting or written communication with the employee any ownership interest or affiliation between the firm which employs the qualified rehabilitation consultant and the employer, insurer, adjusting or servicing company, including the nature and extent of the affiliation or interest. The consultant shall also disclose to all parties

any affiliation, business referral or other arrangement between the consultant or the firm employing the consultant and any other party to the case, ~~including or to~~ any attorneys, doctors, or chiropractors.

If the employee objects to the employer's selection of a qualified rehabilitation consultant, the employee shall notify the employer and the commissioner in writing of the objection. The notification shall include the name, address, and telephone number of the qualified rehabilitation consultant chosen by the employee to provide rehabilitation consultation.

(c) After the initial provision or selection of a qualified rehabilitation consultant as provided under paragraph (a), the employee may choose request a different qualified rehabilitation consultant as follows:

(1) once during the first 60 days following the first in-person contact between the employee and the original consultant;

(2) once after the 60-day period referred to in clause (1); and

(3) subsequent requests which shall be determined granted or denied by the commissioner or compensation judge according to the best interests of the parties.

(d) The employee and employer shall enter into a program if one is prescribed in develop a rehabilitation plan within 30 days of the rehabilitation consultation if the qualified rehabilitation consultant determines that rehabilitation is appropriate. A copy of the plan, including a target date for return to work, shall be submitted to the commissioner within 15 days after the plan has been developed.

~~(b)~~ (e) If the employer does not provide rehabilitation consultation, or the employee does not select a qualified rehabilitation consultant, as required by this section provided under paragraph (a), the commissioner or compensation judge shall notify the employer that if the employer fails to appoint provide, or the employee fails to select, whichever is applicable, a qualified rehabilitation consultant or other persons as permitted by clause (a) within 15 days to conduct a rehabilitation consultation, the commissioner or compensation judge shall appoint a qualified rehabilitation consultant to provide the consultation at the expense of the employer unless the commissioner or compensation judge determines the consultation is not required.

(e) (f) In developing a rehabilitation plan consideration shall be given to the employee's qualifications, including but not limited to age, education, previous work history, interest, transferable skills, and present and future labor market conditions.

(d) (g) The commissioner or compensation judge may waive rehabilitation services under this section if the commissioner or compensation judge is satisfied that the employee will return to work in the near future or that rehabilitation services will not be useful in returning an employee to work.

Sec. 20. Minnesota Statutes 1987 Supplement, section 176.102, subdivision 6, is amended to read:

Subd. 6. [PLAN, ELIGIBILITY FOR REHABILITATION, APPROVAL AND APPEAL.] The commissioner or a compensation judge shall determine eligibility for rehabilitation services and shall review, approve, modify,

or reject rehabilitation plans developed under subdivision 4. The commissioner or a compensation judge shall also make determinations regarding rehabilitation issues not necessarily part of a plan including, but not limited to, determinations regarding whether an employee is eligible for further rehabilitation and the benefits under subdivisions 9 and 11 to which an employee is entitled. *A plan that is not completed within six months or that will cost more than \$3,600 must be specifically approved by the commissioner. This approval may not be waived by the parties.*

Sec. 21. Minnesota Statutes 1986, section 176.102, subdivision 7, is amended to read:

Subd. 7. [PLAN IMPLEMENTATION; REPORTS.] (a) Upon request by the commissioner, insurer, employer or employee, ~~medical and rehabilitation~~ reports shall be made by the provider of the ~~medical and rehabilitation~~ service to the commissioner, insurer, employer, or employee.

(b) If a rehabilitation plan has not already been filed pursuant to subdivision 4, an employer shall report to the commissioner after 120 days from the date of the injury, but before 150 days therefrom, as to what rehabilitation consultation and services, if any, have been provided to the injured employee or why rehabilitation consultation and services have not been provided.

Sec. 22. Minnesota Statutes 1986, section 176.102, subdivision 11, is amended to read:

Subd. 11. [RETRAINING; COMPENSATION.] (a) Retraining is limited to 156 weeks. An employee who has been approved for retraining may petition ~~the commissioner~~ for additional compensation not to exceed 25 percent of the compensation otherwise payable. If the commissioner or compensation judge determines that this additional compensation is warranted due to unusual or unique circumstances of the employee's retraining plan, the commissioner or compensation judge may award additional compensation in an amount ~~the commissioner determines is appropriate~~, not to exceed the employee's request. This additional compensation shall cease at any time the commissioner or compensation judge determines the special circumstances are no longer present.

(b) Pursuant to section 176.101, subdivisions 1 and 2, temporary total disability or temporary partial disability shall be paid during a retraining plan that has been specifically approved under this section and for up to 90 days after the end of the plan; except that, payment during the 90-day period is subject to cessation in accordance with section 176.101, subdivision 1, paragraph (d), clauses (1) to (4). Compensation paid under this paragraph must cease if the employee terminates participation in the approved retraining plan without good cause.

Sec. 23. Minnesota Statutes 1986, section 176.105, subdivision 1, is amended to read:

Subdivision 1. (a) The commissioner of labor and industry shall by rule establish a schedule of degrees of disability resulting from different kinds of injuries. *The commissioner, in consultation with the medical services review board, shall annually review these rules to determine whether any injuries omitted from the schedule should be compensable and, if so, amend the rules accordingly.*

(b) Disability ratings for permanent partial disability must be based on

objective medical evidence.

Sec. 24. Minnesota Statutes 1986, section 176.111, subdivision 6, is amended to read:

Subd. 6. [SPOUSE, NO DEPENDENT CHILD.] If the deceased employee leaves a dependent surviving spouse and no dependent child, there shall be paid to the spouse weekly workers' compensation benefits at ~~50~~ 80 percent of the *after-tax* weekly wage at the time of the injury for a period of ten years, including adjustments as provided in section 176.645.

Sec. 25. Minnesota Statutes 1986, section 176.111, subdivision 7, is amended to read:

Subd. 7. [SPOUSE, ONE DEPENDENT CHILD.] If the deceased employee leaves a surviving spouse and one dependent child, there shall be paid to the surviving spouse for the benefit of the spouse and child ~~60~~ 80 percent of the *daily after-tax weekly* wage at the time of the injury of the deceased until the child is no longer a dependent as defined in subdivision 1. ~~At that time there shall be paid to the dependent surviving spouse weekly benefits at a rate which is 16 2/3 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, including adjustments as provided in section 176.645.~~

Sec. 26. Minnesota Statutes 1986, section 176.111, subdivision 8, is amended to read:

Subd. 8. [SPOUSE, TWO DEPENDENT CHILDREN.] If the deceased employee leaves a surviving spouse and two dependent children, there shall be paid to the surviving spouse for the benefit of the spouse and children ~~66 2/3~~ 80 percent of the *daily after-tax weekly* wage at the time of the injury of the deceased until the last dependent child is no longer dependent. ~~At that time the dependent surviving spouse shall be paid weekly benefits at a rate which is 25 percent less than the last weekly workers' compensation benefit payment, as defined in subdivision 8a, while the surviving child was a dependent, for a period of ten years, adjusted according to section 176.645.~~

Sec. 27. Minnesota Statutes 1986, section 176.111, subdivision 12, is amended to read:

Subd. 12. [ORPHANS.] If the deceased employee leaves a dependent orphan, there shall be paid ~~55~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased, for two or more orphans there shall be paid ~~66 2/3~~ 80 percent of the *wages after-tax weekly wage*.

Sec. 28. Minnesota Statutes 1986, section 176.111, subdivision 14, is amended to read:

Subd. 14. [PARENTS.] If the deceased employee leave no surviving spouse or child entitled to any payment under this chapter, but leaves both parents wholly dependent on deceased, there shall be paid to such parents jointly ~~45~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased. In case of the death of either of the wholly dependent parents the survivor shall receive ~~35~~ 80 percent of the *after-tax* weekly wage thereafter. If the deceased employee leave one parent wholly dependent on the deceased, there shall be paid to such parent ~~35~~ 80 percent of the *after-tax* weekly wage at the time of the injury of the deceased employee. The compensation payments under this section shall not exceed the actual

contributions made by the deceased employee to the support of the employee's parents for a reasonable time immediately prior to the injury which caused the death of the deceased employee.

Sec. 29. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 15, is amended to read:

Subd. 15. [REMOTE DEPENDENTS.] If the deceased employee leaves no surviving spouse or child or parent entitled to any payment under this chapter, but leaves a grandparent, grandchild, brother, sister, mother-in-law, or father-in-law wholly dependent on the employee for support, there shall be paid to such dependent, if but one, ~~30~~ 40 percent of the *after-tax* weekly wage at the time of injury of the deceased, or if more than one, ~~35~~ 45 percent of the *after-tax* weekly wage at the time of the injury of the deceased, divided among them share and share alike.

Sec. 30. Minnesota Statutes 1986, section 176.111, subdivision 20, is amended to read:

Subd. 20. [ACTUAL DEPENDENTS, COMPENSATION.] Actual dependents are entitled to take compensation in the order named in subdivision 3 during dependency until ~~66-2/3~~ 80 percent of the *after-tax* weekly wage of the deceased at the time of injury is exhausted. The total weekly compensation to be paid to full actual dependents of a deceased employee shall not exceed in the aggregate an amount equal to the maximum weekly compensation for a temporary total disability.

Sec. 31. Minnesota Statutes 1987 Supplement, section 176.111, subdivision 21, is amended to read:

Subd. 21. [DEATH, BENEFITS; COORDINATION WITH GOVERNMENTAL SURVIVOR BENEFITS.] The following provision shall apply to any dependent entitled to receive weekly compensation benefits under this section as the result of the death of an employee, and who is also receiving or entitled to receive benefits under any government survivor program:

The combined total of weekly government survivor benefits and workers' compensation death benefits provided under this section shall not exceed 100 percent of the *after-tax* weekly wage being earned by the deceased employee at the time of the injury causing death; provided, however, that no state workers' compensation death benefit shall be paid for any week in which the survivor benefits paid under the federal program, by themselves, exceed 100 percent of such weekly wage provided, however, the workers' compensation benefits payable to a dependent surviving spouse shall not be reduced on account of any governmental survivor benefits payable to decedent's children if the support of the children is not the responsibility of the dependent surviving spouse.

For the purposes of this subdivision "dependent" means dependent surviving spouse together with all dependent children and any other dependents. For the purposes of this subdivision, mother's or father's insurance benefits received pursuant to United States Code, title 42, section 402(g), are benefits under a government survivor program.

Sec. 32. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 1, is amended to read:

Subdivision 1. If an employee incurs personal injury and suffers disability from that injury alone that is substantially greater, because of a preexisting physical impairment, than what would have resulted from the personal

injury alone, the employer or insurer shall pay all compensation provided by this chapter, but the employer shall be reimbursed from the special compensation fund for all compensation paid in excess of 52 weeks of monetary benefits and ~~\$2,000~~ \$3,500 in medical expenses, subject to the exceptions in paragraphs (a), (b), and (c):

(a) If the disability caused by the subsequent injury is made substantially greater by the employee's registered preexisting physical impairment, there shall be apportionment of liability among all injuries. The special compensation fund shall only reimburse for that portion of the compensation, medical expenses, and rehabilitation expenses attributed to the subsequent injury after the applicable deductible has been met.

(b) If the subsequent personal injury alone results in permanent partial disability to a scheduled member under the schedule adopted by the commissioner pursuant to section 176.105, the special compensation fund shall not reimburse permanent partial disability, medical expenses, or rehabilitation expenses.

(c) *Reimbursement for compensation paid shall be at the rate of 75 percent.*

Sec. 33. Minnesota Statutes 1986, section 176.131, subdivision 1a, is amended to read:

Subd. 1a. If an employee is employed in an on-the-job training program pursuant to an approved rehabilitation plan under section 176.102 and the employee incurs a personal injury that aggravates the personal injury for which the employee has been certified to enter the on-the-job training program, the on-the-job training employer shall pay the medical expenses and compensation required by this chapter, and shall be reimbursed from the special compensation fund for the compensation and medical expense that is attributable to the aggravated injury; *except that, reimbursement for compensation paid shall be at the rate of 75 percent.* The employer, at the time of the personal injury for which the employee has been approved for on-the-job training, is liable for the portion of the disability that is attributable to that injury.

Sec. 34. Minnesota Statutes 1986, section 176.131, subdivision 2, is amended to read:

Subd. 2. If the employee's personal injury results in disability or death, and if the injury, death, or disability would not have occurred except for the preexisting physical impairment registered with the special compensation fund, the employer shall pay all compensation provided by this chapter, and shall be fully reimbursed from the special compensation fund for the compensation, except that:

(1) this full reimbursement shall not be made for cardiac disease or a condition registered pursuant to subdivision 8, clause (t) or (u), unless the commissioner by rule provides otherwise; and

(2) *reimbursement for compensation paid shall be at the rate of 75 percent.*

Sec. 35. Minnesota Statutes 1986, section 176.131, subdivision 4, is amended to read:

Subd. 4. Any employer who hires or retains in its employment any person who has a physical impairment of at least 25 percent of the whole body

shall file a formal registration for the employee with the commissioner on a form prescribed by the commissioner.

Sec. 36. Minnesota Statutes 1987 Supplement, section 176.131, subdivision 8, is amended to read:

Subd. 8. As used in this section the following terms have the meanings given them:

"Physical impairment" means any physical or mental condition that is permanent in nature, whether congenital or due to injury, disease or surgery and which is or is likely to be a hindrance or obstacle to obtaining employment except that physical impairment is limited to the following:

- (a) Epilepsy,
- (b) Diabetes,
- (c) Hemophilia,
- (d) Cardiac disease, provided that objective medical evidence substantiates at least the minimum permanent partial disability listed in the workers' compensation permanent partial disability schedule,
- (e) Partial or entire absence of thumb, finger, hand, foot, arm or leg,
- (f) Lack of sight in one or both eyes or vision in either eye not correctable to 20/40,
- (g) Residual disability from poliomyelitis,
- (h) Cerebral Palsy,
- (i) Multiple Sclerosis,
- (j) Parkinson's disease,
- (k) Cerebral vascular accident,
- (l) Chronic Osteomyelitis,
- (m) Muscular Dystrophy,
- (n) Thrombophlebitis,
- (o) Brain tumors,
- (p) Pott's disease,
- (q) Seizures,
- (r) Cancer of the bone,
- (s) Leukemia,
- (t) Any other physical impairment resulting in a disability rating of at least ~~ten~~ 25 percent of the whole body if the physical impairment were evaluated according to standards used in workers' compensation proceedings, and
- (u) Any other physical impairments of a permanent nature which the commissioner may by rule prescribe;

"Compensation" has the meaning defined in section 176.011;

"Employer" includes insurer;

"Disability" means, unless otherwise indicated, any condition causing

either temporary total, temporary partial, permanent total, permanent partial, death, medical expense, or rehabilitation.

Sec. 37. Minnesota Statutes 1986, section 176.131, is amended by adding a subdivision to read:

Subd. 13. [APPLICABLE LAW.] The right to reimbursement under this section is governed by the law in effect on the date of the subsequent injury.

Sec. 38. Minnesota Statutes 1986, section 176.132, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBLE RECIPIENTS.] (a) An employee who has suffered personal injury prior to October 1, 1983 for which benefits are payable under section 176.101 and who has been totally disabled for more than 104 weeks shall be eligible for supplementary benefits as prescribed in this section after 104 weeks have elapsed and for the remainder of the total disablement. Regardless of the number of weeks of total disability, no totally disabled person is ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, except as provided by clause (b); provided that all periods of disability are caused by the same injury.

(b) An employee who has suffered personal injury after October 1, 1983 is eligible to receive supplementary benefits after the employee has been receiving temporary total or permanent total benefits for 208 weeks. Regardless of the number of weeks of total disability, no person who is receiving temporary total compensation shall be ineligible for supplementary benefits after four years have elapsed since the first date of the total disability, provided that all periods of disability are caused by the same injury. An employee who has suffered personal injury that caused a permanent total disability, as defined in section 176.101, subdivision 5, is eligible to receive supplementary benefits after four years have elapsed since the first date of the total disability, provided that the employee continues to have a permanent total disability.

Sec. 39. Minnesota Statutes 1986, section 176.132, subdivision 2, is amended to read:

Subd. 2. [AMOUNT.] (a) The supplementary benefit payable under this section shall be the difference between the amount the employee receives on or after January 1, 1976, under section 176.101, subdivision 1 or 4, and 65 percent of the statewide average weekly wage as computed annually. The supplementary benefit payable under this section is:

(1) the sum of the amount the employee receives under section 176.101, subdivision 4, plus the amount of any disability benefits being paid by any government disability benefit program if those benefits are occasioned by the same injury or injuries giving rise to payments under section 176.101, subdivision 4, plus any old age and survivor's insurance benefits, subtracted from;

(2) 50 percent of the statewide average weekly wage, as computed annually.

(b) In the event an eligible recipient is currently receiving no compensation or is receiving a reduced level of compensation because of a credit being applied as the result of a third party liability or damages, the employer or insurer shall compute the offset credit as if the individual were entitled to the actual benefit or 65 50 percent of the statewide average weekly wage as computed annually, whichever is greater. If this results in the use of a

higher credit than otherwise would have been applied and the employer or insurer becomes liable for compensation benefits which would otherwise not have been paid, the additional benefits resulting shall be handled according to this section.

(c) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of a valid agreement in settlement of a claim, no supplementary benefit shall be payable under this section. Attorney's fees shall be allowed in settlements of claims for supplementary benefits in accordance with this chapter.

(d) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of prior limitations in the maximum amount payable for permanent total disability or because of reductions resulting from the simultaneous receipt of old age or disability benefits, the supplementary benefit shall be payable for the difference between the actual amount of compensation currently being paid and 65 percent of the statewide average weekly wage as computed annually.

(e) (d) In the event that an eligible recipient is receiving simultaneous benefits from any government disability program, the amount of supplementary benefits payable under this section shall be reduced by five percent. If the individual does not receive the maximum benefits for which the individual is eligible under other governmental disability programs due to the provisions of United States Code, title 42, section 424a(d), this reduction shall not apply.

Sec. 40. Minnesota Statutes 1986, section 176.132, subdivision 3, is amended to read:

Subd. 3. [PAYMENT.] The payment of supplementary benefits shall be the responsibility of the employer or insurer ~~currently paying total disability benefits, or any other payer of such benefits. When the eligible individual is not currently receiving benefits because the total paid has reached the maximum prescribed by law the employer and insurer shall, nevertheless, pay the supplementary benefits that are prescribed by law.~~ The employer or insurer paying the supplementary benefit shall have the right of full reimbursement from the special compensation fund for the amount of such benefits paid.

Sec. 41. Minnesota Statutes 1986, section 176.136, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE.] The commissioner shall by rule establish procedures for determining whether or not the charge for a health service is excessive. In order to accomplish this purpose, the commissioner shall consult with insurers, associations and organizations representing the medical and other providers of treatment services and other appropriate groups. The procedures established by the commissioner ~~shall~~ *must* limit the charges allowable for medical, chiropractic, podiatric, surgical, ~~hospital~~ and other health care provider treatment or services, as defined and compensable under section 176.135, to the 75th percentile of usual and customary fees or charges based upon billings for each class of health care provider during all of the calendar year preceding the year in which the determination is made of the amount to be paid the health care provider for the billing; *except that, the medical fee rules promulgated on October 1, 1987, and based upon 1986 medical cost data, must remain in effect until September 30, 1989, and the medical fee rules promulgated on October 1, 1989, must*

be based on the 1987 medical cost data and must remain in effect until September 30, 1990. The procedures established by the commissioner for determining whether or not the charge for a health service is excessive shall must be structured to encourage providers to develop and deliver services for rehabilitation of injured workers. The procedures shall must incorporate the provisions of sections 144.701, 144.702, and 144.703 to the extent that the commissioner finds that these provisions effectively accomplish the intent of this section or are otherwise necessary to insure that quality hospital care is available to injured employees.

Sec. 42. Minnesota Statutes 1986, section 176.645, subdivision 2, is amended to read:

Subd. 2. [TIME OF FIRST ADJUSTMENT.] For injuries occurring on or after October 1, 1981, the initial adjustment made pursuant to subdivision 1 ~~shall be~~ is deferred until the first anniversary of the date of the injury. *For injuries occurring on or after October 1, 1988, the initial adjustment under subdivision 1 is deferred until 156 weeks after the date of injury.*

Sec. 43. Minnesota Statutes 1986, section 176.66, subdivision 11, is amended to read:

Subd. 11. [AMOUNT OF COMPENSATION.] The compensation for an occupational disease is ~~66-2/3~~ 80 percent of the employee's *after-tax* weekly wage on the date of injury subject to a maximum compensation equal to the maximum compensation in effect on the date of last exposure. The employee shall be eligible for supplementary benefits notwithstanding the provisions of section 176.132, after four years have elapsed since the date of last significant exposure to the hazard of the occupational disease if that employee's weekly compensation rate is less than the current supplementary benefit rate.

Sec. 44. [176.90] [AFTER-TAX CALCULATION.]

For purposes of section 176.011, subdivision 18, section 176.101, subdivisions 1, 2, 3, and 4, section 176.111, subdivisions 6, 7, 8, 12, 14, 15, 20, and 21, and section 176.66, the commissioner shall publish by September 1 of each year tables or formulas for determining the after-tax weekly wage to take effect the following October 1. The tables or formulas must be based on the applicable federal income tax and social security laws and state income tax laws in effect on the preceding April 1. These tables or formulas are conclusive for the purposes of converting weekly wage into after-tax weekly wage. The commissioner may contract with the department of revenue or any other person or organization in order to adopt the tables or formulas. The adoption of the tables or formulas is exempt from the administrative rulemaking provisions of chapter 14.

Sec. 45. [176.95] [ADMINISTRATIVE COSTS.]

The annual cost to the commissioner of labor and industry of administering the workers' compensation system under this chapter must be charged to the state general fund. Administrative costs include the cost of administering the workers' compensation division of the department of labor and industry and the workers' compensation division of the office of administrative hearings.

Sec. 46. [ADMINISTRATIVE COSTS CHANGE-OVER]

For the biennium beginning July 1, 1989, 50 percent of the costs of

administering the workers' compensation system must be charged to the state general fund and 50 percent to the special compensation fund.

Sec. 47. [APPLICATION.]

Sections 38, 39, and 40 apply to any employee who was injured on or after four years preceding October 1, 1984.

Sec. 48. [REPEALER.]

Minnesota Statutes 1986, sections 176.011, subdivision 26; and 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6 are repealed.

Sec. 49. [EFFECTIVE DATE.]

Sections 1, 7, 8, 9, 16, 20, 23, and 41 are effective the day following final enactment. Section 45 is effective July 1, 1991.

ARTICLE 2

COMPENSATION INSURANCE

Section 1. Minnesota Statutes 1986, section 79.251, subdivision 2, is amended to read:

Subd. 2. [APPROPRIATE MERIT RATING PLAN.] The commissioner shall develop an appropriate merit rating plan which shall be applicable to all insureds holding policies or contracts of coverage issued pursuant to subdivision 4 and to the insurers or self-insurance administrators issuing those policies or contracts. The plan shall provide a ~~maximum~~ merit adjustment ~~equal to ten percent of earned premium. The actual adjustment that may vary with the insured's loss experience.~~

Sec. 2. Minnesota Statutes 1986, section 79.251, subdivision 3, is amended to read:

Subd. 3. [RATES.] Insureds served by the assigned risk plan shall be charged premiums based upon a rating plan, including a merit rating plan adopted by the commissioner by rule. The commissioner shall annually, not later than January 1 of each year, establish the schedule of rates applicable to assigned risk plan business. Assigned risk premiums ~~shall not be lower than rates generally charged by insurers for the business must be equal to or greater than 105 percent of the weighted average rate charged by the 20 largest workers' compensation insurers for the applicable occupational classifications.~~ The commissioner shall fix the compensation received by the agent of record. The establishment of the assigned risk plan rates and agent fees are not subject to chapter 14.

Sec. 3. Minnesota Statutes 1986, section 79.252, subdivision 1, is amended to read:

Subdivision 1. [PURPOSE.] The purpose of the assigned risk plan is to provide workers' compensation coverage to employers *who are unable, after expending reasonable efforts, to obtain workers' compensation insurance. Reasonable efforts may be demonstrated by the employer showing it was rejected in writing by a two or more licensed insurance company companies, pursuant to subdivision 2. One of the two rejections must be by the insurance company that most recently provided workers' compensation insurance coverage to the employer, unless the employer had no such previous coverage.*

Sec. 4. Minnesota Statutes 1986, section 79.56, is amended by adding a subdivision to read:

Subd. 5. [RATE REGULATION.] (a) Whenever an insurer files a change in its existing rate level, the commissioner may hold a hearing to determine if the rate is excessive. The hearing must be conducted under chapter 14. The commissioner shall give notice of intent to hold a hearing within 60 days of the filing of the change. It is the responsibility of the insurer to show the rate is not excessive. The rate is effective unless it is determined as a result of the hearing that the rate is excessive. This subdivision applies only to changes resulting from an insurer's utilization of either: (1) the pure premium base rate level filed by any data service organization, plus the insurer's loading for expenses and profit; or (2) the insurer's own filed rate levels. This subdivision does not apply to any changes resulting from assessments for the assigned risk plan, reinsurance association, guarantee fund, special compensation fund, benefit level changes, or other rates or rating plans utilized by an insurer. The disapproval of a rate under this subdivision must be done in the same manner as under section 70A.11.

(b) For purposes of paragraph (a), a rate is excessive if, in the absence of a competitive market, the expected underwriting profit, together with expected income from invested reserves for the market in question, that would accrue to an insurer would be unreasonably high in relation to the risk undertaken by the insurer in transacting the business. No rate is excessive in a competitive market.

Sec. 5. Minnesota Statutes 1986, section 176A.03, is amended by adding a subdivision to read:

Subd. 3. [COVERAGE OUTSIDE STATE.] Policies issued by the fund pursuant to this chapter may also provide workers' compensation coverage required under the laws of states other than Minnesota, including coverages commonly known as "all states coverage." The fund may apply for and obtain any licensure required in any other state in order to issue such coverage.

Sec. 6. [MANDATED RATE REDUCTIONS.]

As a result of the workers' compensation law changes in article 1 and the resulting savings to the costs of Minnesota's workers' compensation system, an insurer's approved schedule of rates in effect on August 1, 1988, must be reduced by 15 percent and applied by the insurer to all policies issued or renewed on or after that date. An insurer may not file a new schedule of rates between the day following final enactment of this act and August 1, 1988.

ARTICLE 3

WORKERS' COMPENSATION COURT OF APPEALS ABOLISHED

Section 1. Minnesota Statutes 1986, section 480A.06, subdivision 4, is amended to read:

Subd. 4. [ADMINISTRATIVE REVIEW.] The court of appeals shall have jurisdiction to review on the record: the validity of administrative rules, as provided in sections 14.44 and 14.45; and; the decisions of administrative agencies in contested cases, as provided in sections 14.63 to 14.69; and workers' compensation cases and peace officer death benefits cases, as provided under chapters 176 and 176A.

Sec. 2. [TRANSFER OF JURISDICTION AND PERSONNEL.]

The jurisdiction of the workers' compensation court of appeals, as provided under Minnesota Statutes, section 175A.01, subdivision 2, is transferred to the court of appeals. All contracts, books, plans, papers, records, and property of every description of the workers' compensation court of appeals relating to its transferred responsibilities and within its jurisdiction or control are transferred to the court of appeals; except that, all case files are transferred to the clerk of the appellate courts. All full-time classified employees and staff attorneys of the workers' compensation court of appeals must be given preference in the employment of personnel required to staff the increased caseload of the court of appeals as a result of transfer of jurisdiction under this section.

Sec. 3. [INCREASED JUDGES.]

(a) The number of judges on the court of appeals as of January 1, 1989, shall be increased by three. The additional judges are subject to senate confirmation.

(b) For purposes of establishing the number of judges on the court of appeals pursuant to Minnesota Statutes, section 480A.01, subdivision 3, the number of appeals filed in the court of appeals for the calendar years 1987 and 1988 shall be considered to include three-fourths of the number of appeals filed in the worker's compensation court of appeals for those two years.

Sec. 4. [INSTRUCTION TO REVISOR.]

In every instance in Minnesota Statutes in which the term "workers' compensation court of appeals" appears, the revisor of statutes shall change that reference to the "court of appeals."

Sec. 5. [REAPPROPRIATION.]

\$185,000 is reappropriated from the special compensation fund, as a result of the savings to that fund in fiscal year 1989 due to the transfer of the workers' compensation court of appeals, to the court of appeals for the purposes of this article.

Sec. 6. [REPEALER.]

Minnesota Statutes 1986, sections 175A.01; 175A.02; 175A.03; 175A.04; 175A.05; 175A.06; 175A.07, subdivisions 1, 3, and 4; 175A.08; 175A.09; and 175A.10 are repealed. Minnesota Statutes 1987 Supplement, section 175A.07, subdivision 2, is repealed.

Sec. 7. [EFFECTIVE DATE.]

This article is effective January 1, 1989.

ARTICLE 4

REPORTS TO THE LEGISLATURE

Section 1. [REPORT TO THE LEGISLATURE ON MEDICAL ISSUES.]

The commissioner of labor and industry shall present a report to the legislature concerning medical issues in the workers' compensation system. Specifically, the report must include findings and recommendations designed to contain or reduce the cost of workers' compensation related medical services, including methods of controlling the cost of ongoing therapy treatments. The report must be presented by January 1, 1990.

Sec. 2. [REPORT TO THE LEGISLATURE ON CLINICAL RESULTS]

AND COSTS.]

(a) *The commissioner of labor and industry shall undertake a study and present a report to the legislature concerning clinical results and costs related to workers' compensation injuries. Preliminary results of the study must be submitted as provided under paragraph (d), and a final, comprehensive report must be presented by January 1, 1990.*

(b) *The commissioner shall collect the following data from the physicians who are in clinical charge of the care of injured workers covered by the workers' compensation law who are off work 30 days or longer due to a work-related personal injury.*

(1) *Within seven working days of when a physician decides maximum medical improvement has been achieved, the doctor shall submit to the department of labor and industry:*

(i) *the final diagnosis with the applicable code numbers, including the personality classification, utilizing ICD-9 diagnostic code numbers as the principle basis for reporting this data;*

(ii) *the name of the injured part of the body, an estimation of the percent of function prior to the injury, the percent of function at the time of maximum medical improvement, the estimated reasonable usual percent of function as a consequence of the injury, and the percent deviation between these two, if any, with a statement of why there is the percent deviation;*

(iii) *a comparison regarding the injured part of the amount of "pain and suffering" disability that the injured worker experienced prior to the injury, the amount being experienced at maximum medical improvement that relates to the injury, the estimated amount of reasonable usual disability anticipated with the injury, and a statement, which can include a reference to the personality structure of the injured worker, of why any deviation between the amount experienced and the usual expected deviation;* and

(iv) *the date when the injury occurred and the date when maximum medical improvement was reached.*

(2) *Within 30 days of when the physician reported that maximum medical improvement has been reached, the physician must submit to the department the total cost of the health care given the injured worker from the time of injury to the time of maximum medical improvement. The report must be submitted by the physician in charge of the clinical care at the time of maximum medical improvement. If a change in physician has occurred, the physician who had clinical charge prior to the change must submit a report within 30 days of the change and the subsequent physician must submit a report covering the subsequent period of time within 30 days of each individual time period's end or of the reporting that maximum medical improvement has been reached. The report must be itemized, including but not limited to the following items:*

(i) *for each diagnostic code, the names of the clinical procedures used, with their current procedural code number, with the individual fees charged for each;*

(ii) *x-rays, names with code numbers, with individual costs for each code number, and the total cost of all x-rays;*

(iii) *laboratory exams with code numbers, with individual costs for each*

code number, and the total cost of all laboratory exams;

(iv) medications, both prescription and nonprescription, with names plus unit and total costs;

(v) prosthesis, with individual costs; and

(vi) an itemized list of all other additional health care costs, including home nursing, consultations required by attorneys or insurance companies, department or legal conferences, etc.

(c) The commissioner, together with the medical director of the department and whomever else in the department the commissioner desires, shall computerize the collected data under paragraph (b). For 18 months they shall review the data on a monthly basis and correlate it in the following sequence:

(1) the level of clinical results obtained with the costs at maximum medical improvement;

(2) the level of the clinical results obtained with length of time required to achieve maximum medical improvement; and

(3) the length of time to achieve maximum medical improvement related to the cost of achieving maximum medical improvement.

(d) For the 18-month period indicated under paragraph (c), the commissioner and medical director shall every three months submit a report to the legislature, specifically providing copies to all members of the senate employment committee and the house of representatives labor relations-management committee, of their findings regarding paragraph (c), clauses (1) to (3), and including progress on the development of the data collection system, both preliminary and final results.

(e) Also during the 18-month period, the commissioner and department medical director shall develop a flagging system, so that the cases with significant deviation by lesser clinical results, higher costs, and longer treatment times are identified so that they can be scrutinized. A schedule of individual fees charged for specific procedures utilized and a schedule of specific diagnoses with their total clinical costs must both be developed from the collected data.

(f) The legislative auditor shall have free access to the data collected under this section and may request any additional information the legislative auditor considers necessary. The legislative auditor shall at six-month periods for 18 months report to the legislature its findings regarding the status of the Minnesota workers' compensation system relating to clinical reports and cost issues.

Sec. 3. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL PHYSICIANS.]

The commissioner of labor and industry shall present a report concerning workers' compensation to the legislature before January 1, 1989, which develops and evaluates a detailed proposal for establishing a system of neutral doctors for use in such areas as determining maximum medical improvement and rating permanent partial disabilities. The report must contain a bill proposal to implement the commissioner's recommendations.

Sec. 4. [REPORT TO THE LEGISLATURE ON USE OF NEUTRAL QUALIFIED REHABILITATION CONSULTANTS.]

To reduce cost and contention in the rehabilitation system, the commissioner of labor and industry shall develop and evaluate a detailed proposal to establish a system to ensure that qualified rehabilitation consultants will not be aligned with either insurers or claimants. The commissioner shall consider alternative methods of selection and payment to ensure neutrality. The commissioner shall present a report and proposal to the legislature by January 1, 1989.

Sec. 5. [REPORT TO THE LEGISLATURE ON LEGAL COSTS.]

The commissioner of labor and industry shall present a report to the legislature concerning legal cost issues in the workers' compensation system. Specifically, the report must include findings and recommendations designed to contain or reduce legal costs related to workers' compensation dispute resolution.

Sec. 6. [REPORT TO THE LEGISLATURE ON RECODIFICATION OF WORKERS' COMPENSATION LAW.]

The revisor of statutes shall recodify the workers' compensation law, including Minnesota Statutes, chapter 176, and its judicial and administrative interpretation.

The recodification must not make any substantive changes but shall provide a comprehensive, accurate, and complete restatement.

Each state department agency and legislative staff, including senate counsel and house of representatives research, shall provide assistance in the recodification as requested by the revisor of statutes.

The revisor shall report to the legislature by January 1, 1989, on the progress of the recodification. The revisor shall prepare a bill to implement its recommendations for recodification by January 1, 1990.

Sec. 7. [REAPPROPRIATION.]

\$185,000 is reappropriated from the special compensation fund, as a result of the savings to that fund in fiscal year 1989 due to the transfer of the workers' compensation court of appeals, to the commissioner of labor and industry for the purposes of this article.

Sec. 8. [EFFECTIVE DATE.]

Article 4 is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to workers' compensation; regulating workers' compensation benefits and administration; regulating workers' compensation insurance; abolishing the workers' compensation court of appeals and transferring its jurisdiction to the court of appeals; requiring certain reports relating to workers' compensation; amending Minnesota Statutes 1986, sections 79.251, subdivisions 2 and 3; 79.252, subdivision 1; 79.56, by adding a subdivision; 176.011, subdivisions 11a, 18, and by adding a subdivision; 176.021, subdivision 3; 176.061, subdivision 10; 176.081, subdivisions 1 and 3; 176.101, subdivisions 1, 2, 4, 5, and by adding a subdivision; 176.102, subdivisions 1, 7, and 11; 176.105, subdivision 1; 176.111, subdivisions 6, 7, 8, 12, 14, and 20; 176.131, subdivisions 1a, 2, 4, and by adding a subdivision; 176.132, subdivisions 1, 2, and 3; 176.136, subdivision 1; 176.645, subdivision 2; 176.66, subdivision 11; 176A.03, by adding a subdivision; 480A.06, subdivision 4; Minnesota

Statutes 1987 Supplement, sections 176.041, subdivision 4; 176.081, subdivision 2; 176.102, subdivisions 2, 3, 3a, 4, and 6; 176.111, subdivisions 15 and 21; 176.131, subdivisions 1 and 8; proposing coding for new law in Minnesota Statutes, chapter 176; repealing Minnesota Statutes 1986, sections 175A.01 to 175A.06; 175A.07, subdivisions 1, 3, and 4; 175A.08 to 175A.10; 176.011, subdivision 26; 176.101, subdivisions 3a, 3b, 3c, 3d, 3e, 3f, 3g, 3h, 3i, 3j, 3k, 3l, 3m, 3n, 3o, 3p, 3q, 3r, 3s, 3t, 3u, and 6; and Minnesota Statutes 1987 Supplement, section 175A.07, subdivision 2."

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

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

S.F. No. 2260: A bill for an act relating to property tax reform; changing property tax classifications, aids, and credits; abolishing certain levy limits; increasing the state share of financial participation in aid to families with dependent children, emergency assistance, general assistance, emergency general assistance, work readiness, Minnesota supplemental assistance, medical assistance, preadmission screening, alternative care grants, and general assistance medical care to 100 percent; clarifying the administration of human services programs; establishing a compliance system for certain public assistance programs and public assistance incentive fund; appropriating money; amending Minnesota Statutes 1986, sections 6.62, subdivision 1; 18.023, subdivision 8; 110B.15, subdivision 4; 115.34, subdivision 1; 124.2137, subdivision 1; 134.34, subdivision 5; 164.041; 256.72; 256.81; 256.82, subdivision 1; 256.863; 256.871, subdivision 6; 256.935, subdivision 1; 256.991; 256B.041, subdivisions 5 and 7; 256B.05, subdivision 1; 256B.19, subdivision 2; 256D.03, subdivision 6; 256D.04; 256D.36, subdivision 1; 273.135, subdivision 5; 273.1391, subdivision 4; 275.14; 275.15; 275.16; 279.01, as amended; 298.28, subdivision 12; 298.282, subdivisions 2 and 3; 298.39; 298.396; 360.037, subdivision 2; 375.167, subdivision 1; 383C.55; 393.07, subdivision 2; 414.01, subdivision 15; 423.376, subdivision 3; 426.04; 444.075, subdivision 4; 465.73; 471.1921; 471.572, subdivision 2; 471A.03, subdivision 4; 473.87; 473.882, subdivision 3; 473E08, subdivision 3a; 475.74; 475.754; 477A.011, subdivisions 6, 10, 11, and by adding subdivisions; and 477A.012, subdivision 2; Minnesota Statutes 1987 Supplement, sections 38.27, subdivision 3; 124.155, subdivision 2; 124.2139; 124A.02, subdivision 11; 129A.06, subdivision 2; 256.01, subdivision 2; 256B.091, subdivision 8; 256B.15; 256B.19, subdivision 1; 256D.03, subdivision 2; 256G.01, subdivision 3; 256G.02, subdivision 4; 256G.04, subdivision 1; 256G.05; 256G.07; 256G.10; 256G.11; 272.02, subdivisions 1 and 1a; 272.115, subdivision 4; 273.123, subdivisions 1, 4, 5, and 7; 273.124, subdivisions 11 and 13; 273.13, subdivisions 23, 24, 25, and 31; 273.1392; 273.1393; 273.42, subdivision 2; 275.50, subdivision 2; 276.04; 279.06; 281.17; 290A.03, subdivisions 13 and 14; 290A.04, subdivisions 2 and 2a; 393.07, subdivision 10; 412.251; 447.34, subdivision 1; 447.35; 469.107; 471.74, subdivision 2; 473.446, subdivision 1; 473.8441, subdivision 1; 473E02, subdivision 4; 475.61, subdivision 3; and 477A.013, subdivisions 1, 2, and by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapters 256 and 273; amending Laws 1987, chapter 268, article 6, sections 19 and 53; repealing Minnesota Statutes 1986, sections 256.965; 273.13, subdivision

30; 275.11; 275.50, as amended; 275.51, as amended; 275.54; 275.55; 275.56; 275.561; 275.58; 383C.552; 471A.04; and 477A.011, subdivisions 3a, 4, 5, 7a, 13, and 14; Minnesota Statutes 1987 Supplement, sections 245.775; 256D.22; 273.13, subdivision 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; 290A.04, subdivision 2b; 477A.011, subdivision 7; and 477A.012, subdivision 1; Laws 1987, chapter 268, article 5, section 4.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 3a, is amended to read:

Subd. 3a. [TRUST.] The term "trust" has the meaning ~~given in~~ *provided under the Internal Revenue Code of 1986, as amended through December 31, 1986* 1987.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] The term "resident" means (1) any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1986, unless, during that period, a Minnesota homestead application is filed for property in which the individual has an interest; and (2) any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless the individual *or the spouse of the individual* is in the armed forces of the United States, *or the individual is covered under the reciprocity provisions in section 290.081.*

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1986, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the

exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the ~~fund or series of funds~~ regulated investment company as defined in section 851(a) of the Internal Revenue Code of 1986, or the fund of the regulated investment company as defined in section 851(q) of the Internal Revenue Code of 1986, making the payment; and

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code; and

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others not to exceed \$650 for each dependent in grades kindergarten to six and \$1,000 for each dependent in grades seven to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code of 1986, as amended through December 31, 1986; and

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed

person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985.

Sec. 5. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code of 1986 as amended through December 31, 1987, must be computed by applying to their taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$4,000	4 percent
over \$4,000, but not over \$11,000	\$160 plus 6 percent of the excess over \$4,000
over \$11,000, but not over \$21,000	\$580 plus 8 percent of the excess over \$11,000
over \$21,000	\$1,380 plus 9 percent of the excess over \$21,000

(2) For taxable years beginning after December 31, 1987

if taxable income is:	the tax is:
not over \$19,000	6 percent
over \$19,000	\$1,140 plus 8 percent of the excess over \$19,000;

plus an amount equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$75,500, but not over \$165,000	0.5 percent of the excess over \$75,500
over \$165,000	\$447.50.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals, married individuals filing separate returns, estates, and trusts must be computed by applying to taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$3,000	4 percent
over \$3,000, but not	\$120 plus 6 percent

over \$9,000	of the excess over \$3,000
over \$9,000, but not	\$480 plus 8 percent
over \$16,000	of the excess over \$9,000
over \$16,000	\$1,040 plus 9 percent
	of the excess over \$16,000

(2) For taxable years beginning after December 31, 1987

if taxable income is:	the tax is:
not over \$13,000	6 percent
over \$13,000	\$780 plus 8 percent
	of the excess over \$13,000;

plus an amount equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$42,700, but not	0.5 percent of the
over \$93,000	excess over \$42,700
over \$93,000	\$251.50.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986 1987, must be computed by applying to taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$3,500	4 percent
over \$3,500, but not	\$140 plus 6 percent
over \$10,000	of the excess over \$3,500
over \$10,000, but not	\$530 plus 8 percent
over \$18,500	of the excess over \$10,000
over \$18,500	\$1,210 plus 9 percent
	of the excess over \$18,500

(2) For taxable years beginning after December 31, 1987

if taxable income is:	the tax is:
not over \$16,000	6 percent
over \$16,000	\$960 plus 8 percent
	of the excess over \$16,000;

plus an amount equal to ten percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$64,300, but not	0.5 percent of the
over \$135,000	excess over \$64,300
over \$135,000	\$353.50.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth

in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

(1) The numerator is the individual's Minnesota ~~source~~ *source* federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1986, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, *increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).*

(f) *Any individual who has income which is included in the computation of federal adjusted gross income but is not subject to tax by Minnesota other than income specifically allowed as a subtraction under section 290.01, subdivision 19b, shall compute the tax in the same manner described in paragraph (e). The numerator of the fraction under paragraph (e) is the individual's Minnesota source federal adjusted gross income reduced by the income not subject to Minnesota tax and the denominator is the federal adjusted gross income.*

Sec. 6. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 20, is amended to read:

Subd. 20. [ELDERLY AND DISABLED PERSONS.] An individual may take a credit against the tax due under this chapter equal to ~~40 percent of~~ the credit for which the individual qualifies under section 22 of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987.

If the individual is not a full-year resident, the credit must be allocated by applying the ratio determined in section 290.06, subdivision 2c, paragraph (f).

Sec. 7. Minnesota Statutes 1986, section 290.06, is amended by adding a subdivision to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) *If a taxpayer who is a resident of this state or is a domestic corporation or corporation commercially domiciled in Minnesota has become liable for taxes on or measured by net income to another state or province or territory of Canada upon income allocated or apportioned to Minnesota, the taxpayer is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, clause (2), and is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.*

(b) *For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of*

Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) For a corporation, the ratio is determined by dividing the net income from personal or professional services within such other state, or, if the taxpayer is an athletic team where all of the team's income is apportioned to Minnesota, it is the total net income subject to tax in such other state or province or territory of Canada, divided by the Minnesota taxable net income. This percentage shall be applied only against the tax assessed by this section.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

Sec. 8. Minnesota Statutes 1987 Supplement, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2.

In the case of nonresident, part-year resident, or a person to which section 290.06, subdivision 2c, paragraph (g) applies, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

Sec. 9. Minnesota Statutes 1987 Supplement, section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY; CREDIT FOR TAXES PAID TO ANOTHER STATE.]

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein, or.

(b) If any taxpayer who is a resident of this state, or a domestic corporation or corporation commercially domiciled therein, has become liable for taxes on or measured by net income to another state or a province or territory of Canada upon, if the taxpayer is an individual, or if the taxpayer is an athletic team and all of the team's income is apportioned to Minnesota, any income, or if it is a corporation, estate, or trust, upon income derived from the performance of personal or professional services within such other state or province or territory of Canada and subject to taxation under this chapter the taxpayer shall be entitled to a credit against the amount of taxes payable under this chapter, of such proportion thereof, as such gross income subject to taxation in such state or province or territory of Canada bears to the taxpayer's entire gross income subject to taxation under this chapter; provided (1) that such credit shall in no event exceed the amount of tax so paid to such other state or province or territory of Canada on the gross income earned within such other state or province or territory of Canada and subject to taxation under this chapter, and (2) the allowance of such credit shall not operate to reduce the taxes payable under this chapter to an amount less than would have been payable if the gross income earned in such other state or province or territory of Canada had been excluded in computing net income under this chapter. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (2), and is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(c) The commissioner shall by rule determine with respect to gross income earned in any other state the applicable clause of this section. When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause (a) shall not apply. As long as the provisions of clause (a) apply between Minnesota and Wisconsin, the provisions of clause (a) shall apply to any individual who is domiciled in Wisconsin.

(d) "Tax So Paid" as used in this section means taxes on or measured by net income payable to another state or province or territory of Canada on income earned within the taxable year for which the credit is claimed; provided that such tax is actually paid in that taxable year, or subsequent taxable years.

For purposes of clause (b), where a Minnesota resident reported an item of income to Minnesota and is assessed tax in another state or a province or territory of Canada on that same item of income after the Minnesota statute of limitations has expired, the taxpayer shall be allowed to receive a credit for that year based on clause (b), notwithstanding the provisions of sections 290.49, 290.50, and 290.56. For purposes of the preceding sentence, the burden of proof shall be on the taxpayer to show entitlement to a credit.

(e) (c) For the purposes of clause (a), whenever the Wisconsin tax on

Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

Interest shall be payable on all delinquent balances relating to taxable years beginning after December 31, 1977. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due on any delinquent amounts.

If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

Notwithstanding the provisions of section 290.61, the commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person 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.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from labor or personal or professional services is assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources is treated as income from sources without this state.

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

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of

days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota; and

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

(3) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer firefighters' relief association, by way of payment as a pension, public employee retirement benefit, or any combination of these, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 408, or 409, or as defined in section 403(b) or 457 of the Internal Revenue Code of 1986, as amended through December 31, 1986, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Except upon the sale of a partnership interest *or the sale of stock of an "S" corporation*, income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of stock held in an "S" corporation is allocable to this state in the ratio of the original cost of tangible property of the "S" corporation within this state to the original cost of tangible property of the "S" corporation everywhere.

(d) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state.

(e) Income from winnings on Minnesota pari-mutuel betting tickets *and lawful gambling as defined in section 349.12, subdivision 2, conducted within the boundaries of the state of Minnesota* shall be assigned to this state.

(f) All items of gross income not covered in paragraphs (a) to (e) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.38, is amended to read:

290.38 [RETURNS OF MARRIED PERSONS.]

A husband and wife must file a joint Minnesota income tax return if they filed a joint federal income tax return. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several; *provided that a spouse who is relieved of a liability attributable to a substantial underpayment under section 6013(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, shall also be relieved of the state tax liability on the substantial underpayment.* If the husband and wife have elected to file separate federal income tax returns they must file separate Minnesota income tax returns. This election to file a joint or separate returns must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by rule.

The determination of whether an individual is married shall be made under provisions of section 7703 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

Sec. 12. Minnesota Statutes 1986, section 290.39, is amended by adding a subdivision to read:

Subd. 5. [PARTNERSHIPS; NONRESIDENT PARTNERS.] (a) The commissioner may allow a partnership with five or more nonresident partners to file a composite return on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, social security numbers, income allocation, and tax liability for all nonresident partners electing to be covered by the composite return.

(b) The computation of each partner's liability will be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners on or before the due date for filing the individual income tax return. The request may be made a part of the return filed.

(d) The electing partner must not have any Minnesota source income other than income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The penalty for failure to file a return as provided in section 290.53, subdivision 2, is assessed from the due date for filing a return until a non-composite return is filed. The tax paid for such an individual as part of the composite return is allowed as a payment of the tax by the individual on the date upon which the composite payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return constitutes a return for purposes of subdivision 1 of this section.

(e) *This subdivision does not preclude the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 290.93. However, a composite estimate may be filed in a manner similar to and containing the same information required under paragraph (a).*

(f) *If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under section 290.37, subdivision 1, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.*

(g) *The election provided in this subdivision is not available to any partner other than a full-year nonresident individual who has no other Minnesota source income.*

(h) *A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this subdivision. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to each shareholder.*

(i) *Estates and trusts distributing current income only and the nonresident individual beneficiaries of such estates or trusts may make an election under this subdivision. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to each beneficiary.*

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] To the extent required by section 6041 of the Internal Revenue Code of 1986, as amended through December 31, 1986 1987, every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1986, as amended through December 31, 1986 1987) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision ~~on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year~~ must file all of these returns on magnetic media *if the media were used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987*; unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Sec. 14. Minnesota Statutes 1987 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.

(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, 1985. 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 1986, as amended through December 31, 1987, 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. 15. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 7, is amended to read:

Subd. 7. [WITHHOLDING STATEMENT TO EMPLOYEE OR PAYEE AND TO COMMISSIONER.] (1) Every person required to deduct and withhold from an employee a tax under subdivision 2a or 3, or section 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under subdivision 2a or 3, or section 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee

pursuant to subdivision 20, shall furnish to each such employee or person receiving royalty payments in respect to the remuneration paid by such person to such employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of such calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

- (a) Name of such person,
- (b) The name of the employee or payee and the employee's or payee's social security account number,
- (c) The total amount of wages as that term is defined in subdivision 1(1), and/or the total amount of remuneration subject to withholding pursuant to subdivision 20, and the amount of sick pay as required under section 6051(f) of the Internal Revenue Code of 1954 1986, as amended through December 31, 1985 1987,

(d) The total amount deducted and withheld as tax under subdivision 2a or 3, or section 290.923, subdivision 2.

(2) The statement required to be furnished by this subdivision in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the commissioner may prescribe.

(3) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to furnish such statements to their employees or payees under this subdivision.

(4) A duplicate of any statement made pursuant to this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in such form as the commissioner may prescribe of all such statements for the calendar year (including a reconciliation of the quarterly returns required to be filed pursuant to subdivision 6), shall be filed with the commissioner on or before February 28 of the year after the payments were made.

(5) The employer must submit the statements required to be sent to the commissioner on magnetic media, if the media were required to satisfy the federal reporting requirements pursuant to section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and the regulations issued under it.

Sec. 16. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 15, is amended to read:

Subd. 15. [PENALTIES; FAILURE TO PAY TAX.] (1) In the case of any failure to withhold a tax on wages, or make payments to or deposits with the commissioner of amounts withheld, as required by this section, within the time prescribed by law, there shall be added to the tax a penalty equal to three percent of the amount of tax that should have been properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional three percent for each additional 30 days or fraction thereof during which the failure continues, not exceeding 24 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and

as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1a) In the case of a failure to make and file quarterly returns with the commissioner as required by this section, there shall be added to the tax a penalty equal to three percent of the amount of tax not properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional five percent of the amount of tax remaining unpaid during each additional 30 days or fraction thereof during which the failure continues, not exceeding 23 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1b) 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 extension of time for filing), the addition to tax under paragraph (1a) shall not be less than the lesser of (i) \$200; or (ii) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax or (b) \$50.

(1c) Where penalties are imposed under paragraphs (1) and (1a), except for the minimum penalty under paragraph (1b), the combined penalty percentage shall not exceed 38 percent in the aggregate.

(2) If any employer required to withhold a tax on wages, make deposits, make and file quarterly returns and make payments to the commissioner of amounts withheld, as required by sections 290.92 to 290.97, willfully fails to withhold the tax or make the deposits, files a false or fraudulent return, willfully fails to make the payment or deposit, or willfully attempts in any manner to evade or defeat the tax or the payment or deposit of it, there shall also be imposed on the employer as a penalty an amount equal to 50 percent of the amount of tax, less any amount paid or deposited by the employer on the basis of the false or fraudulent return or deposit, that should have been properly withheld and paid over or deposited with the commissioner. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The penalty imposed by this paragraph shall be collected as a part of the tax, and shall be in addition to any other penalties civil and criminal, prescribed by this subdivision.

(3) If any person required under the provisions of subdivision 7 to furnish a statement to an employee or payee and a duplicate statement to the commissioner, or to furnish a reconciliation of the statements, and quarterly returns, to the commissioner, willfully furnishes a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements, and quarterly returns, to the commissioner, or willfully fails to furnish a statement or the reconciliation in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, there shall be imposed on the person a penalty of \$50 for each act or failure to act, but the total amount imposed on the delinquent person for all such

failures during any calendar year shall not exceed \$25,000. The penalty imposed by this paragraph is due and payable within ten days after the mailing of a written demand therefor, and may be collected in the manner prescribed in subdivision 6, paragraph (8).

(4) In addition to any other penalties prescribed, any person required to withhold a tax on wages, file quarterly returns, and make payments or deposits to the commissioner of amounts withheld, as required by this section, who attempts to evade the tax by (i) willfully failing to withhold the tax, file the return, or make the payment or deposit, or (ii) willfully preparing or filing a false return, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event the person is guilty of a felony.

(5) In lieu of any other penalty provided by law, except the penalty provided by paragraph (3), any person required under the provisions of subdivision 7 to furnish a statement of wages to an employee and a duplicate statement to the commissioner, who willfully furnishes a false or fraudulent statement of wages to an employee or a false or fraudulent duplicate statement of wages to the commissioner, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, is guilty of a gross misdemeanor.

(6) Any employee required to supply information to an employer under the provisions of ~~subdivision~~ subdivisions 4a and 5, who willfully fails to supply information or willfully supplies false or fraudulent information thereunder which would require an increase in the tax to be deducted and withheld under subdivision 2a or 3, is guilty of a gross misdemeanor.

(7) The term "person," as used in this section, includes an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(8) All payments received may, in the discretion of the commissioner of revenue, be credited first to the oldest liability not secured by a judgment or lien, but in all cases shall be credited first to penalties, next to interest, and then to the tax due.

(9) In addition to any other penalty provided by law, any employee who furnishes a withholding exemption certificate or a residency affidavit to an employer which the employee has reason to know contains a materially incorrect statement is liable to the commissioner of revenue for a penalty of \$500 for each instance. The penalty is immediately due and payable and may be collected in the same manner as any delinquent income tax.

(10) In addition to any other penalty provided by law, any employer who fails to submit a copy of a withholding exemption certificate or a residency affidavit required by subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance. The penalty is immediately due and payable and may be collected in the manner provided in subdivision 6, paragraph (8).

(11) Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, whether or not the falsity or fraud is with the knowledge or consent of the person

authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor, unless the tax involved exceeds \$300, in which event the actor is guilty of a felony.

(12) Notwithstanding the provisions of section 628.26, or any other provision of the criminal laws of this state, an indictment may be found and filed, or a complaint filed, upon any criminal offense specified in this subdivision, in the proper court within six years after the commission of the offense.

Sec. 17. [ESTIMATED TAX EXCEPTION FOR 1987.]

For taxable years beginning after December 31, 1986, but beginning before January 1, 1988, the required amount of the annual payment of the current year's tax in determining the underpayment in Minnesota Statutes, section 290.93, subdivision 10, paragraph (4), clause (a), shall be 80 percent instead of 90 percent and the penalty shall also be reduced by the ratio by which the salary income subject to withholding bears to the federal adjusted gross income for 1987 as determined under section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 18. [REPEALER.]

Minnesota Statutes 1987 Supplement, section 290.077, subdivision 1, is repealed.

Sec. 19. [EFFECTIVE DATES.]

Except as otherwise provided, sections 1 to 4 and 7 are effective for taxable years beginning after December 31, 1986. The ability of surviving spouses to use the married filing joint rates in section 5 is effective for taxable years beginning after December 31, 1986. The rest of section 5 is effective for taxable years beginning after December 31, 1987. Sections 6, 7, 9, 10, 12, 13, 15, and 18 are effective for taxable years beginning after December 31, 1987. Section 11 is effective for taxable years beginning after December 31, 1984. Section 14 is effective for taxable years beginning after December 31, 1986. Section 16 is effective the day following final enactment.

ARTICLE 2

CORPORATE FRANCHISE TAX

Section 1. Minnesota Statutes 1987 Supplement, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 15, June 15, and December 15 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies and domestic mutual insurance companies, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. *For insurers other than town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, and (ii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000, installments must be based on a sum equal to two percent of the premiums described in paragraph (b). For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, and (ii) whose total assets at the end of the*

preceding calendar year exceed \$1,600,000,000, the installments must be based on an amount equal to one-half percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a) are percentages of gross premiums less return premiums on all direct business received by ~~it~~ the insurer in this state, or by its agents for it, in cash or otherwise, during such year, excepting premiums written for marine insurance as specified in subdivision 6.

(c) Failure of a company to make payments of at least one-third of either ~~(a)~~ (1) the total tax paid during the previous calendar year or ~~(b)~~ (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section.

Sec. 2. Minnesota Statutes 1987 Supplement, section 60E.04, subdivision 4, is amended to read:

Subd. 4. [TAXATION.] (a) All premiums paid for coverages within this state to risk retention groups are subject to taxation at the same rate and subject to the same interest, fines, and penalties for nonpayment as that applicable to ~~foreign admitted~~ other insurers.

(b) To the extent agents or brokers are utilized, they shall report and pay the taxes for the premiums for risks which they have placed with or on behalf of a risk retention group not chartered in this state. The agents or brokers are subject to the provisions of sections 60A.195 to 60A.209.

(c) To the extent agents or brokers are not utilized or fail to pay the tax, each risk retention group shall pay the tax for risks insured within the state. Each risk retention group shall report all premiums paid to it for risks insured within the state and shall be subject to the same interest, fines, and penalties for nonpayment as that applicable to foreign admitted insurers.

Sec. 3. Minnesota Statutes 1986, section 62C.01, is amended by adding a subdivision to read:

Subd 4. [MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION PREMIUMS.] Foreign or domestic nonprofit health service plan corporations are subject to gross premium tax imposed by section 60A.15 on premiums they receive as the writing carrier for the comprehensive health insurance plan.

Sec. 4. Minnesota Statutes 1986, section 64B.24, is amended to read:

64B.24 [TAXATION.]

Fraternal benefit societies are declared to be charitable institutions, and the property held and used for lodge purposes, and the funds of these societies shall be exempt from taxation under the general tax or revenue laws of this state, except that the real estate of the society shall be taxable *and premiums received as the writing carrier for the comprehensive health insurance plan shall be subject to gross premium tax under section 60A.15.*

Sec. 5. Minnesota Statutes 1987 Supplement, 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 after subtracting the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations be the amount of state aid available for apportionment as provided in this subdivision.~~ 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 after subtracting the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The amount for apportionment in respect to police state aid shall be distributed to the 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. 6. Minnesota Statutes 1986, section 69.031, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATIONS.] There is hereby appropriated annually from the state general fund to the commissioner of revenue an amount sufficient to make the payments specified in this section and section 69.021 ~~not exceeding the tax collected.~~

Sec. 7. Minnesota Statutes 1986, section 237.075, subdivision 8, is amended to read:

Subd. 8. [CHARITABLE CONTRIBUTIONS.] The commission shall allow as operating expenses only those charitable contributions which the commission deems prudent and which qualify under section 290.21, subdivision 3, clause (b) or (e). Only 50 percent of the qualified contributions shall be allowed as operating expenses.

Sec. 8. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 5, is amended to read:

Subd. 5. [DOMESTIC CORPORATIONS.] The term "domestic" when applied to a corporation means a corporation:

(1) created or organized in ~~Minnesota or under its laws; and the term "foreign" when thus applied means a corporation other than a domestic corporation~~ the United States, or under the laws of the United States or of any state, the District of Columbia, or any political subdivision of any of the foregoing but not including the commonwealth of Puerto Rico, or any possession of the United States;

(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue Code of 1954, as amended through December 31, 1985; or

(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 9. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 5a. [FOREIGN CORPORATION.] The term "foreign," when applied to a corporation, means a corporation other than a domestic corporation.

Sec. 10. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 6b. [FOREIGN OPERATING CORPORATION.] The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

(1) it is part of a unitary business at least one member of which is taxable in this state; and

(2) either (i) the average of the percentages of its property and payrolls assigned to locations inside the United States and the District of Columbia, excluding the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 20 percent or less; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply; and

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5)(A) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 12. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest *not subject to federal tax* upon obligations of: the United States, its possessions, its agencies, or its instrumentalities ~~to the extent the obligations are not subject to federal tax~~; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; or the District of Columbia;

(3) ~~exempt interest~~ *exempt-interest* dividends received as defined in section 852(b)(5) of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(5) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(6) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(7) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(8) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(10) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(11) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986; ~~and~~

(12) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities; ~~and~~

(13) *the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4(g).*

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS: MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the decrease in salary expense for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that:

(i) *for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed; and*

(ii) *for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;*

(iii) *for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and*

(iv) *for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;*

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986, in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the

instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

(10) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year; and

(11) the following percentage of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation:

Taxable Year	
Beginning After	Percentage
June 30, 1988	50 percent
December 31, 1988	65 percent
June 30, 1989	80 percent.

Sec. 14. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19e, is amended to read:

Subd. 19e. [DEPRECIATION MODIFICATIONS FOR CORPORATIONS.] In the case of corporations, a modification shall be made for the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system is the same amount as provided in section 168 of the Internal Revenue Code with the following modifications. The modifications apply to taxable years beginning after December 31, 1986, and to property for which deductions under the Tax Reform Act of 1986, Public Law Number 99-514, are elected or apply.

(a) For property placed in service after December 31, 1980, and before January 1, 1987, 40 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1985, for 15-, 18-, or 19-year real property shall not be allowed and for all other property 20 percent shall not be allowed.

(b) For property placed in service after December 31, 1987, no modification shall be made.

(c) For property placed in service after July 31, 1986, and before January 1, 1987, for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, and for property placed in service after December 31, 1986, and before January 1, 1988, 15 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1986 shall not be allowed.

(d) For property placed in service after December 31, 1980, and before January 1, 1987, for which the taxpayer elects to use 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 1986, as amended through December 31, 1986, but excluding property for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, the modifications provided in paragraph (a) do not apply.

(e) For property subject to the modifications contained in paragraphs (a) and (b) (c) and Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), the following modification shall be made after the entire amount of the allowable deduction has been allowed for federal tax purposes for that property under the provisions of section 168 of the Internal Revenue Code of 1986, as amended through December 31, 1986. The remaining depreciable basis in those assets for Minnesota purposes, including the amount of any basis reduction to reflect the investment tax credit for federal purposes under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be a depreciation allowance computed using the straight line method over the following number of years:

- (1) three-year property, one year;
- (2) five-year and seven-year property, two years;
- (3) ten-year property, five years; and
- (4) all other property, seven years.

(f) For property placed in service after December 31, 1987, the remaining depreciable basis for Minnesota purposes that is attributable to the basis reduction for federal purposes to reflect the investment tax credit under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be allowed as a deduction in the first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code of 1986, has been allowed, except that where the straight line method provided in section 168(b)(3) is used, the deduction provided in this clause shall be allowed in the last taxable year in which an allowance for depreciation is allowed for that property.

(g) For qualified timber property for which the taxpayer made an election under section 194 of the Internal Revenue Code of 1986, the remaining depreciable basis for Minnesota purposes is allowed as a deduction in the first taxable year after the entire allowable deduction has been allowed for federal tax purposes.

(h) The basis of property to which section 168 of the Internal Revenue Code applies is its basis as provided in this chapter including the modifications provided in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c). The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code of 1986, as amended through December 31, 1986, apply but must be calculated using the basis provided in the preceding sentence.

(i) The basis of an asset acquired in an exchange of assets, including an involuntary conversion, is the same as its federal basis under the provisions of the Internal Revenue Code of 1986, except that the difference in basis

due to the modifications in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), is a deduction as provided in paragraph (e).

Sec. 15. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] A person, other than a resident individual, that conducts a trade or business with its principal place of business outside of Minnesota is subject to the taxes imposed by this chapter with respect to that trade or business if the trade or business makes sales or receives other income that is assignable or apportionable to this state under section 290.17, 290.191, 290.20, 290.35 or 290.36 without regard to physical presence in this state, except as provided in subdivision 3. Activities that create jurisdiction to tax under this chapter include, but are not limited to:

- (1) having a place of business in this state;
- (2) having employees, representatives, or independent contractors conducting business activities in this state;
- (3) regularly selling products or services of any kind or nature to customers in this state who receive the product or service in this state;
- (4) regularly soliciting business from potential customers in this state;
- (5) regularly performing services from outside this state which are consumed within this state;
- (6) regularly engaging in transactions with customers in this state that involve intangible property, including loans but not property described in subdivision 3, paragraph (b), and result in income flowing to the person from within this state;
- (7) owning or leasing tangible personal or real property located in this state; or
- (8) if a financial institution, regularly soliciting and receiving deposits from customers in this state.

(a) Except as provided in subdivision 3, a person that conducts a trade or business which has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property located in this state or tangible personal property located in this state as defined in section 290.191, subdivision 6, paragraph (e), is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

- (1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;
- (2) sales of services which are performed from outside this state but the benefits of which are consumed in this state;

(3) transactions with customers in this state that involve intangible property and result in income flowing to the person from within this state;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 6, paragraph (e);

(5) sales and leases of real property located in this state; and

(6) if a financial institution, deposits received from customers in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer data base, cable, optic, microwave, or other communication system.

Sec. 16. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 2, is amended to read:

Subd. 2. [PRESUMPTION.] (a) A person is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it conducts transactions described in any of subdivision 1, clauses (3) to (6); with 20 or more residents of this state during any tax period or, if a financial institution, if the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds \$5,000,000. Assets and deposits must be attributed to sources within this state by applying the principles established under section 290.191 obtaining or regularly soliciting business from within this state if:

(1) it conducts activities described in subdivision 1, paragraph (b), without regard to transactions described in subdivision 3, with 20 or more residents of this state during any tax period; or

(2) it is a financial institution as defined in section 290.01, subdivision 4a, and the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds \$5,000,000, with

assets and deposits attributed to sources within this state by applying the principles established under section 290.191, except as provided in subdivision 3.

(b) A financial institution that does not satisfy the requirements of paragraph (b) is not subject to taxes imposed by this chapter except for taxes imposed under section 290.92.

Sec. 17. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384 *or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231, and the property was delivered to and removed from such facility by persons independent of the owner of the property.*

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of such property, the servicing of said property or the income therefrom, the collection of income from said property, or the acquisition or liquidation of collateral relating to said property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company, as those terms are defined in the Internal Revenue Code of 1986, as amended through December 31, 1986; and

(2) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables, and which are issued by a financial institution or by an entity substantially all of whose assets consist of promissory notes, mortgages, receivables, or interests therein;

(3) an interest that has been purchased or acquired by or from a financial institution in any assets described in section 290.191, subdivision 11, paragraphs (e) through (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(4) an interest that has been purchased or acquired by or from a financial institution in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) through (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(5) an interest in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding

provisions of this subdivision; and

(6) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

If the person is a member of the unitary group, paragraph (b) does not apply to an interest acquired from another member of the unitary group.

Sec. 18. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not ~~(1)~~ subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business; ~~or (2) exclude a trade or business from the filing requirements of the notice of business activities report under section 290.371.~~

(b) The purchase of tangible or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota (the "non-Minnesota person") from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made.

(c) No contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, shall be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. The fact of participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group.

Sec. 19. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 21, is amended to read:

Subd. 21. [ALTERNATIVE MINIMUM TAX.] (a) A corporation is allowed a credit for alternative minimum tax previously paid for any taxable year in which the corporation has no tax liability under section 290.092, subdivision 1, and has an alternative minimum tax credit carryover from a previous year. The credit allowable in any taxable year shall be equal to the lesser of (1) the excess of the tax under section 290.06 for the taxable year over the amount computed under section 290.092, subdivision 1, clause ~~(a)~~ (1), for the taxable year, or (2) the alternative minimum tax credit carryover to the taxable year.

(b) The tax imposed under section 290.092 for any taxable year is a credit for alternative minimum tax previously paid which is a carryover to each of the five taxable years succeeding the taxable year. The entire amount of the alternative minimum tax credit must be carried to the earliest of the taxable years to which such amount may be carried. The portion of the alternative minimum tax credit which is carried to each of the other taxable

years to which the credit may be carried is the excess, if any, of the credit over the amount allowable under paragraph (a) for each of the taxable years to which the credit may be carried. In each taxable year in which a credit is allowable under paragraph (a), the credit for alternative minimum tax previously paid must be used beginning with the earliest taxable year from which the credit may be carried.

Sec. 20. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAX BASE.] The alternative minimum tax base equals the sum of:

- (1) the total amount of Minnesota sales ~~and or~~ receipts;
- (2) the amount of the taxpayer's total Minnesota property; and
- (3) the taxpayer's total Minnesota payrolls;

less the exemption amount, if any.

Sec. 21. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] (a) "Minnesota sales ~~and or~~ receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota *except as provided in subdivision 4a*. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. ~~For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and payrolls shall be deemed to be zero for purposes of this section~~ *On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.*

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, *except as provided in subdivision 4a*. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

(d) The "exemption amount" equals the lesser of (1) the sum of the taxpayer's Minnesota sales ~~and or~~ receipts, property, and payrolls, *as defined in this section*, or (2) \$5,000,000 reduced by one-half of the amount of the taxpayer's total sales and receipts, property, and payrolls, *as defined in this section*, in excess of \$10,000,000. *In the case of a unitary group, the exemption amount equals the lesser of (1) the sum of the unitary group's Minnesota sales or receipts, property, and payrolls or (2) \$5,000,000 reduced by one-half of the unitary group's total sales or receipts, property, and payrolls in excess of \$10,000,000. Each member of a unitary group*

may use a portion of the unitary group's exemption amount based on a fraction, the numerator of which is the sum of the taxpayer's Minnesota sales or receipts, property, and payrolls and the denominator is the sum of the Minnesota sales or receipts, property, and payrolls of all unitary members subject to the taxes imposed by this chapter. Total sales and receipts, property, and payroll means the total determined under section 290.191 as the denominator of the apportionment formula. For purposes of this section, taxpayers who use an apportionment formula that does not include sales or receipts, property, and payrolls shall, nevertheless, use those amounts as defined in section 290.191, subdivisions 5 to 12. On a return for a short taxable year, the amount of total property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365. In the case of a unitary business, the exemption amount must reflect the factors of the ~~entire~~ all businesses included in the unitary business group as ~~reported on the combined report~~ defined in section 290.17, subdivision 4. A corporation that has as its sole or primary business activity (1) the providing of professional services, as defined in section 319A.02; (2) operation as a financial institution, as defined in section 290.01, subdivision 4a; (3) sales or management of real estate; or (4) operation as an insurance agency, as defined in section 60A.02, does not have an exemption amount.

Sec. 22. Minnesota Statutes 1987 Supplement, section 290.092, is amended by adding a subdivision to read:

Subd. 4a. [NEW BUSINESS EXCLUSION.] For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and payrolls must be excluded from the alternative minimum tax base unless it is disqualified in this subdivision. A corporation is considered subject to taxation under this chapter if it would be subject to Minnesota's jurisdiction to tax as provided in section 290.015, before claiming this exclusion. The following does not qualify for this exclusion:

(1) a corporation that is a member of a unitary group that includes at least one business that does not qualify for this exclusion;

(2) any corporation organized under the laws of this state or certified to do business within this state at least five taxable years before the taxable year in which this exclusion is claimed;

(3) corporations created by: reorganizations, as defined in section 368 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or split-ups, split-offs, or spin-offs, as described in section 355 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or the transfer or acquisition, whether directly or indirectly, of assets which constitute a trade or business, including stock purchases under section 338 of the Internal Revenue Code of 1986, as amended through December 31, 1987, where the surviving, newly formed, or acquiring corporation conducts substantially the same activities as the predecessor corporation, regardless of whether or not the survivor corporation also conducts additional activities, and the predecessor corporation would not otherwise qualify for this exclusion if it had continued to conduct those activities;

(4) any change in identity or form of business where the original business

entity would have been subject to Minnesota's taxing jurisdiction, as provided in section 290.015, at least five taxable years before the taxable year in which this exclusion is claimed;

(5) a corporation, the primary business activity of which is the providing of professional services as defined in section 319A.02, operation as a financial institution, as defined in section 290.01, subdivision 4a; sales or management of real estate; or operation as an insurance agency, as defined in section 60A.03; or

(6) a corporation the affairs of which the commissioner finds were arranged as they were primarily to reduce taxes.

Sec. 23. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 1, is amended to read:

Subdivision 1. [ALLOWANCE OF DEDUCTION.] (a) There shall be allowed as a deduction for the taxable year the amount of any net operating loss deduction as provided in section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986, subject to the limitations and modifications provided in this section.

(b) A net operating loss deduction shall be available under this section only to corporate taxpayers except that subdivisions 7, 9, and 11 hereof apply only to individuals, estates, and trusts.

(c) In the case of a regulated investment company or fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue code of 1986, as amended through December 31, 1987, the deduction provided by this section shall not be allowed.

Sec. 24. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 2, is amended to read:

Subd. 2. [DEFINED AND LIMITED.] (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code of 1986, as amended through December 31, 1986, with the modifications specified in subdivision 4. The deductions provided in section 290.21 *and the modification provided in section 290.01, subdivision 19d, clause (11)*, cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986, relating to the carryback of net operating losses, do not apply.

Sec. 25. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss ~~for any taxable year~~ incurred in a taxable year: (i) *beginning after December 31, 1986*, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) *beginning before January 1, 1987*, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) *beginning before January 1, 1987*, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986,

section 290.095.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apports its income under the provisions of section 290.191, the net operating loss deduction *incurred in any taxable year* shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction *incurred in any taxable year* used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

Sec. 26. Minnesota Statutes 1987 Supplement, section 290.095, is amended by adding a subdivision to read:

Subd. 12. [UNITARY GROUP; CARRYBACK; CARRYFORWARD.] A taxpayer may elect a net operating loss carryback to each of the three taxable years preceding the taxable year of the loss and a net operating loss carryover to each of the five taxable years following the taxable year of the loss, notwithstanding subdivision 3, clause (a). The net operating loss carryback and carryover allowed under this subdivision is limited to the part of the net operating loss attributable to the deduction allowed for bad debts under section 166(a) of the Internal Revenue Code of 1986, as amended through December 31, 1987. The part of the net operating loss for any taxable year that is attributable to the deduction allowed for bad debts is the excess of the net operating loss for the taxable year, over the net operating loss for the taxable year determined without regard to the amount allowed as a deduction for bad debts for the taxable year. In applying the provisions of subdivision 3, clause (b), the part of the net operating loss for the loss year that is attributable to the deduction allowed for bad debts is considered a separate net operating loss for the year to be applied before the other part of the net operating loss. This subdivision applies only to taxpayers where a member of the unitary group meets the definition found in section 585(c)(2)(A) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and includes all corporations included in the unitary group and required to be included on a combined report. A refund of tax that is the result of a net operating loss carryback under this section must be paid after two years but before two years and 30 days after the claim for refund was filed.

Sec. 27. Minnesota Statutes 1987 Supplement, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

Notwithstanding any other provision of law, in computing the net income of a corporation no deduction shall in any case be allowed for 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 corporations 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, and the provisions of section 298.031, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter 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.

Sec. 28. Minnesota Statutes 1987 Supplement, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to farm income subject to subdivision 5, paragraph (a), business income subject to subdivision 5, paragraph (b) or (c), income of an insurance company determined under section 290.35, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business.

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

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group.

(f) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of corporations or other entities 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 the foregoing and of any FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1986, that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that other corporations or other entities organized in foreign countries might be included in the unitary business. The net income and apportionment factors under section 290.191 or section 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or section 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19(d)(11), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g) or royalties, fees, or other like income described in section 290.01, subdivision 19(d)(9), shall not be disallowed.

(g) (j) Each corporation or other entity that is part of a unitary business must file combined reports as the commissioner determines. On the reports,

all intercompany transactions between entities included pursuant to paragraph (f) (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (f) (h) in the denominators of the apportionment formula.

(k) *If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:*

(1) *its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and*

(2) *its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.*

Sec. 29. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section. *For purposes of this section, state means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.*

Sec. 30. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and ~~100~~ 99 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota based solely upon the percentage that the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period. Property and payroll factors are disregarded. In determining eligibility for this subdivision, the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded. ~~This subdivision is repealed effective for taxable years beginning after December 31, 1988.~~

Sec. 31. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 5, is amended to read:

Subd. 5. [DETERMINATION OF SALES FACTOR.] (a) For purposes of this section, the following rules apply in determining the sales factor.

(b) (a) *The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:*

(1) *interest;*

(2) *dividends;*

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code of 1986, as amended through December 31, 1987;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased;

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1987, or sales of stock; and

(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19(d)(11).

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) ~~Sales, other than sales of tangible personal property, are made in this state if the property is used, or the benefits of the services are consumed, in this state. If the property is used or the benefits of the services are consumed in more than one state, the sales must be apportioned pro rata according to the portion of use or consumption of benefits in this state. Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.~~

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment is located in this state if:

(1) the operation of the property is entirely within this state; or

(2) the operation of the property is in two or more states and the principal base of operations from which the property is sent out is in this state.

(h) Royalties and other income not described in paragraph (a)(6) received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to

the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be consumed at the office of the customer to which the services are billed.

Sec. 32. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.] (a) For purposes of this section, the rules in this subdivision and subdivisions 7 and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market ~~trans-~~
~~actions~~ *instruments*, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock,

aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

- (1) the operation of the property is entirely within the state; or
- (2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations not secured by real or tangible personal property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the business applied for the loan. *"Applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.*

(i) Interest income and other receipts from a participating financial institution's portion of participation loans must be attributed under paragraphs (e) to (h). A participation loan is a loan in which more than one lender is a creditor to a common borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. *If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be*

consumed at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities of this state, its political subdivisions, agencies, and instrumentalities must be attributed to this state.

(o) Receipts from a financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the receipts factor provided the financial institution's activities within this state with respect to any interest in such property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (n) and section 290.191, subdivision 7.

Sec. 33. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 11, is amended to read:

Subd. 11. [FINANCIAL INSTITUTIONS; PROPERTY FACTOR.] (a) For financial institutions, the property factor includes, as well as tangible property, intangible property as set forth in this subdivision.

(b) Intangible personal property must be included at its tax basis for federal income tax purposes.

(c) Goodwill must not be included in the property factor.

(d) Coin and currency located in this state must be attributed to this state.

(e) Lease financing receivables must be attributed to this state if and to the extent that the property is located within this state.

(f) Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located within this state.

(g) Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.

(h) Assets in the nature of commercial loan and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which the business applied for the loan. "Applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) A participating financial institution's portion of a participation loan must be attributed under paragraphs (e) to (h).

(j) Financial institution credit card and travel and entertainment credit

card receivables must be attributed to the state to which the credit card charges and fees are regularly billed.

(k) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution subject to this regulation, the ~~receipts~~ assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this subsection, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(m) A financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the property factor provided the financial institution's activities within this state with respect to any interest in such property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under clause (l).

Sec. 34. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 3, is amended to read:

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

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

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

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

of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes if the contribution or gift consists of real property located in Minnesota,

(e) *to or for the use of a foundation if the foundation is organized and operated exclusively for a purpose in clause (b), and has no part of its net earnings inuring to the benefit of a private shareholder or individual, but does not carry on substantially all of its activities within this state. The deduction under this clause equals the amount of the corporation's contributions or gifts to the foundation within the taxable year multiplied by a fraction equal to the ratio of the foundation's total expenditures during the taxable year for the benefit of organizations described in clause (b) to the foundation's total expenditures during the taxable year.*

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

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

Sec. 35. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) Eighty percent of dividends received by a corporation during the taxable year from another corporation, *in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987,* when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. *The remaining 20 percent 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.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986 as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1986, as amended through December 31, 1986.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

(f) *If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this section for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) 80 percent or 70 percent, pursuant to paragraphs (a) or (b) of this subdivision; and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under sections 290.191 or 290.20.*

Sec. 36. Minnesota Statutes 1987 Supplement, section 290.34, subdivision 2, is amended to read:

Subd. 2. [AFFILIATED OR RELATED CORPORATIONS, COMBINED REPORT.] (a) 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 the commissioner's opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations.

(b) *If a corporation has been divested from the unitary group and is included in a combined report for a fractional part of the common accounting period that the report is based on, then the sales, property, and payroll attributed to the corporation in the apportionment formula must be prorated or separately accounted and must show for what part of the accounting period the corporation is included in the report.*

(c) *The combined report shall reflect the income of the entire unitary business as provided in section 290.17, subdivision 4. If a corporation has been divested from the unitary group and is included in the combined report for a fractional part of the common accounting period that the combined report is based on, its income includable in the combined report is its income for that part of the year.*

Sec. 37. Minnesota Statutes 1987 Supplement, section 290.35, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT OF TAXABLE NET INCOME.] The commissioner shall compute therefrom the taxable net income of such companies by assigning to this state that proportion thereof which the gross premiums collected by them during the taxable year from old and new business within this state bears to the total gross premiums collected by them during that year from their entire old and new business, including reinsurance premiums; provided, the commissioner shall add to the taxable net income so apportioned to this state the amount of any taxes on premiums paid by the company by virtue of any law of this state (other than the surcharge on premiums imposed by sections 69.54 to 69.56) which shall have been deducted from gross income by the company in arriving at its total net income under the provisions of such act of congress.

(a) For purposes of determining the Minnesota apportionment percentage, premiums from reinsurance contracts ~~assumed from companies domiciled in Minnesota and premiums~~ in connection with property in or liability arising out of activity in, or in connection with the lives or health of

Minnesota residents shall be assigned to Minnesota and premiums from reinsurance contracts assumed from companies domiciled outside of Minnesota and premiums in connection with property in or liability arising out of activity in, or in connection with the lives or health of non-Minnesota residents shall be assigned outside of Minnesota. *Reinsurance premiums are presumed to be received for a Minnesota risk and are assigned to Minnesota, if:*

(1) the reinsurance contract is assumed for a company domiciled in Minnesota; and

(2) the taxpayer, upon request of the commissioner, fails to provide reliable records indicating the reinsured contract covered non-Minnesota risks. For purposes of this paragraph, "Minnesota risk" means coverage in connection with property in or liability arising out of activity in Minnesota, or in connection with the lives or health of Minnesota residents.

(b) The apportionment method prescribed by paragraph (a) shall be presumed to fairly and correctly determine the taxpayer's taxable net income. If the method prescribed in paragraph (a) does not fairly reflect all or any part of taxable net income, the taxpayer may petition for or the commissioner may require the determination of taxable net income by use of another method if that method fairly reflects taxable net income. A petition within the meaning of this section must be filed by the taxpayer on such form as the commissioner shall require.

Sec. 38. Minnesota Statutes 1987 Supplement, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) A taxpayer shall file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

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

Every corporation shall file a return, if the corporation is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, *except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return.* The return in the case of a corporation

must be signed by a person designated by the corporation. The commissioner may adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report if the affiliated group includes a bank subject to tax under this chapter. Members of an affiliated group that elect to file one return on behalf of the members of the group under rules adopted by the commissioner may modify or rescind the election by filing the form required by the commissioner.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if a return is required.

(b) Such return shall (1) contain a written declaration that it is correct and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 39. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 1, is amended to read:

Subdivision 1. [REPORT REQUIRED.] Every corporation that, during any calendar year or fiscal accounting year ~~ending~~ *beginning* after December 31, 1986, ~~carried on any activity or owned or maintained any property in this state, unless specifically exempted under subdivision 3 obtained any business from within this state as described in section 290.015, subdivision 1, with the exception of:~~

(1) *activity levels lower than those set forth in section 290.015, subdivision 2, paragraph (b); or*

(2) *activities described in section 290.015, subdivision 3, paragraph (b); or*

(3) *corporations specifically exempted under subdivision 3 of this section, must file a notice of business activities report, as provided in this section. Filing of the report is not a factor in determining whether a corporation is subject to taxation under this chapter.*

Sec. 40. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 3, is amended to read:

Subd. 3. [EXEMPTIONS.] A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return or report has been filed under section 290.05, subdivision 4; or 290.37; or

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05, subdivision 1, *or*

(4) *the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b).*

Sec. 41. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 4, is amended to read:

Subd. 4. [ANNUAL FILING.] Every corporation not exempt under subdivision 3 must file annually a notice of business activities report, including such forms as the commissioner may require, with respect to ~~all or any part of~~ each of its calendar or fiscal accounting years beginning after December 31, 1986, on or before the 15th day of the fourth month after the close of the calendar or fiscal accounting year.

Sec. 42. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 5, is amended to read:

Subd. 5. [FAILURE TO FILE TIMELY REPORT.] (a) Any corporation required to file a notice of business activities report does not have any cause of action upon which it may bring suit under Minnesota law unless the corporation has filed a notice of business activities report.

(b) The failure of a corporation to file a timely report prevents the use of the courts in this state, *except regarding activities described in subdivision 3, clause (4)*, for all contracts executed and all causes of action that arose at any time before the end of the last accounting period for which the corporation failed to file a required report.

(c) The court in which the issues arise has the power to excuse the corporation for its failure to file a report when due, and restore the corporation's cause of action under the laws of this state, if the corporation has paid all taxes, interest, and civil penalties due the state for all periods, or provided for payment of them by adequate security or bond approved by the commissioner.

(d) Notwithstanding the provisions of section 290.61, the commissioner may acknowledge whether or not a particular corporation has filed with the commissioner reports or returns required by this chapter if the acknowledgement:

(1) is to a party in a civil action;

(2) relates to the filing status of another party in the same civil action; and

(3) is in response to a written request accompanied by a copy of the summons and complaint in the civil action.

Sec. 43. Minnesota Statutes 1986, 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, 1985, 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 *Minnesota Statutes 1986*, 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. 44. Minnesota Statutes 1987 Supplement, section 290.9725, is

amended to read:

290.9725 [ELECTION BY SMALL BUSINESS CORPORATION S CORPORATIONS.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1986, 1987. An S corporation shall not be subject to the taxes imposed by this chapter, except:

(1) the corporation is subject to the tax imposed under section 290.92; and

(2) the corporation is subject to the tax imposed under section 290.02 in any tax period in which it recognizes income for federal income tax purposes under Internal Revenue Code, section 1363(d), 1374, or 1375; the total amount of income recognized is the federal taxable income for the corporation within the meaning of section 290.01, subdivision 19; the provisions of sections 290.01, subdivisions 19a to 19f, and 290.17 to 290.20, must be employed to determine the taxable net income of the corporation; and the taxable net income of the corporation is its taxable income, except that any net operating loss carryforward that arose in a year when there was no election in effect under Section 1362 of the Internal Revenue Code is allowed as a deduction the taxes imposed under sections 290.92, 290.9727, 290.9728, and 290.9729.

Sec. 45. [290.9727] [TAX ON CERTAIN BUILT-IN GAINS.]

Subdivision 1. [TAX IMPOSED.] For a corporation electing S corporation status pursuant to section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1987, after December 31, 1986, and having a recognized built-in gain as defined in section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, there is imposed a tax on the taxable income of such S corporation, as defined in this section, at the rate prescribed by section 290.06, subdivision 1. This section does not apply to any corporation having an S election in effect for each of its taxable years. An S corporation and any predecessor corporation must be treated as one corporation for purposes of the preceding sentence.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means taxable net income less the deduction for net operating loss carryforwards as provided by this section.

Subd. 3. [TAXABLE NET INCOME.] For purposes of this section, taxable net income means the lesser of:

(1) the recognized built-in gains of the S corporation for the taxable year, as determined under section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the modifications provided in section 290.01, subdivisions 19e and 19f, that are allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 4. [NET OPERATING LOSS CARRYFORWARD.] A net operating loss carryforward, as determined under section 290.095, arising in a taxable year before the corporation elected S corporation status, shall be allowed as a deduction against the lesser of the amounts referred to in subdivision 3, clauses (1) and (2). For purposes of determining the amount of any such loss that may be carried to later taxable years, the lesser of the amounts referred to in subdivision 3, clauses (1) and (2) shall be treated as taxable income.

Sec. 46. [290.9728] [TAX ON CAPITAL GAINS.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax on the taxable income of a corporation that has:

(1) elected S corporation status pursuant to section 1362 of the Internal Revenue Code of 1954, as amended through December 31, 1987, before January 1, 1987;

(2) a net capital gain for the taxable year (1) in excess of \$25,000 and (2) exceeding 50 percent of the corporation's federal taxable income for the taxable year; and

(3) federal taxable income for the taxable year exceeding \$25,000.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. For purposes of this section, "federal taxable income" means federal taxable income determined under section 1374(4)(d) of the Internal Revenue Code of 1954, as amended through December 31, 1987. This section does not apply to an S corporation which has had an election under section 1362 of the Internal Revenue Code of 1954, as amended through December 31, 1987, in effect for the three immediately preceding taxable years. This section does not apply to an S corporation that has been in existence for less than four taxable years and has had an election in effect under section 1362 of the Internal Revenue Code of 1954, as amended through December 31, 1987, for each of the corporation's taxable years. For purposes of this section, an S corporation and any predecessor corporation are treated as one corporation.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means the lesser of:

(1) the amount of the net capital gain of the S corporation for the taxable year, as determined under sections 1222 and 1374 of the Internal Revenue Code of 1954, as amended through December 31, 1987, and subject to the modifications provided in section 290.01, subdivisions 19e and 19f, in excess of \$25,000 that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Sec. 47. [290.9729] [TAX ON PASSIVE INVESTMENT INCOME.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax for the taxable year on the taxable income of an S corporation, if for the taxable year an S corporation has:

(1) subchapter C earnings and profits at the close of such taxable year; and

(2) gross receipts more than 25 percent of which are passive investment income.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. The terms "subchapter C earnings and profits," "passive investment income," and "gross receipts" have the same meanings as when used in sections 1362(d)(3) and 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Subd. 2. [TAXABLE INCOME.] For the purposes of this section, taxable income means the lesser of:

(1) the amount of the S corporation's excess net passive income, as determined under section 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1986, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 3. [WAIVER OF TAX.] The tax imposed by this section shall be waived if the taxpayer receives a waiver for federal income tax purposes under section 1375(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 48. Minnesota Statutes 1987 Supplement, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining or producing ores, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is measured by the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided in chapter 290, except that ~~section sections~~ 290.01, subdivision 19c, clause (11), 290.01, subdivision 19d, clause (7), and 290.05, subdivision 1, clause (a), ~~does~~ do not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Sec. 49. Minnesota Statutes 1987 Supplement, section 298.01 subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore or taconite concentrates shall pay an occupation tax to the state of Minnesota. The tax is measured by the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided for in chapter 290, except that ~~section sections~~ 290.01, subdivision 19c, clause (11), 290.01, subdivision 19d, clause (7), and 290.05, subdivision 1, clause (a), ~~does~~ do not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable

on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Sec. 50. [298.402] [NET OPERATING LOSSES.]

For purposes of the computation under section 298.40, subdivision 1, clause (b), a net operating loss incurred in a taxable year beginning after December 31, 1986, is a net operating loss carryover to each of the 15 taxable years following the taxable year of the loss, in accordance with section 290.095. A net operating loss incurred in a taxable year beginning after December 31, 1981, and before January 1, 1987, is a net operating loss carryover to taxable years beginning after December 31, 1986, not to exceed the five taxable years following the taxable year of the loss, in accordance with section 290.095. No net operating loss carryback is allowed for a net operating loss incurred in a taxable year beginning after December 31, 1986.

Sec. 51. Minnesota Statutes 1987 Supplement, section 299.01, subdivision 1, is amended to read:

Subdivision 1. There shall be levied and collected upon all royalty received during each calendar year for permission to explore, mine, take out and remove iron ore or taconites from land in this state, a tax of 15 percent before January 1, 1986, a tax of 14.5 percent after December 31, 1985, and before January 1, 1987, and a tax of 14 percent after December 31, 1986.

Sec. 52. Minnesota Statutes 1986, section 303.03, is amended to read:

303.03 [FOREIGN CORPORATIONS MUST HAVE CERTIFICATE OF AUTHORITY.]

No foreign corporation shall transact business in this state unless it holds a certificate of authority so to do; and no foreign corporation whose certificate of authority has been revoked or canceled pursuant to the provisions of this chapter shall be entitled to obtain a certificate of authority except in accordance with the provisions of section 303.19. *This section does not establish standards for those activities that may subject a foreign corporation to taxation under section 290.015 and to the reporting requirements of section 290.371.* Without excluding other activities which may not constitute transacting business in this state, and subject to the provisions of sections 303.13 and 543.19, a foreign corporation shall not be considered to be transacting business in this state for the purposes of this chapter solely by reason of carrying on in this state any one or more of the following activities:

(a) Maintaining or defending any action or suit or any administrative or arbitration proceeding, or effecting the settlement thereof or the settlement of claims or disputes;

(b) Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs;

(c) Maintaining bank accounts;

(d) Maintaining offices or agencies for the transfer, exchange and registration of its securities, or appointing and maintaining trustees or depositaries with relation to its securities;

(e) Holding title to and managing real or personal property, or any interest therein, situated in this state, as executor of the will or administrator of

the estate of any decedent, as trustee of any trust, or as guardian or conservator of the person or estate, or both, of any person;

(f) Making, participating in, or investing in loans or creating, as borrower or lender, or otherwise acquiring indebtedness or mortgages or other security interests in real or personal property;

(g) Securing or collecting its debts or enforcing any rights in property securing them; or

(h) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature.

Sec. 53. [REPEALER.]

(a) *Minnesota Statutes 1986, section 298.401, is repealed.*

(b) *Minnesota Statutes 1986, section 299.013, is repealed.*

(c) *Minnesota Statutes 1987 Supplement, section 290.21, subdivision 8 is repealed.*

(d) *Minnesota Statutes 1987 Supplement, section 290.371, subdivision 2, is repealed.*

Sec. 54. [EFFECTIVE DATE.]

Sections 1, 5, and 6 are effective January 1, 1988. Sections 8, 9, 10, 12, clause (13), 29, 31, and 37 are effective for taxable years beginning after April 30, 1989. Sections 13, clause (11), 24, and 53, paragraph (c), are effective for taxable years beginning after June 30, 1988. Sections 2, 3, 4, 30, 35, and 36 are effective for taxable years beginning after December 31, 1987. Section 28 is effective for taxable years beginning after December 31, 1987, except that the part relating to foreign operating corporations is effective for taxable years beginning after April 30, 1989.

Sections 11, 12, clauses (2) and (3), 13, except for clause (11), 14 to 20, 22, 23, 27, 32, 33, 39 to 47, 52, and 53, paragraph (d), are effective for taxable years beginning after December 31, 1986. Section 21 is effective for taxable years beginning after December 31, 1986, except that the part relating to the apportionment of the exemption amount among members of a unitary group is effective for taxable years beginning after December 31, 1987. Section 25 is effective for taxable years beginning after December 31, 1986, except that the part relating to the allowance of a net operating loss for any taxable year to the extent of the apportionment ratio of the loss year is effective for taxable years beginning after December 31, 1987. Section 26 is effective for losses incurred in taxable years beginning after December 31, 1987, and is repealed effective for taxable years beginning after December 31, 1993. Sections 48 and 49 are effective for ores mined after December 31, 1989. Section 50 is effective for ores mined after December 31, 1986, and before January 1, 1990. Section 53, paragraph (a), is effective for ores mined after December 31, 1989. Section 53, paragraph (b), is effective for ores mined after December 31, 1986, and supersedes the repealer in Laws 1987, chapter 268, article 9, section 43.

ARTICLE 3
FEDERAL UPDATE

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 4, is amended to read:

Subd. 4. [CORPORATIONS.] The term "corporation" shall include every entity which is a corporation under section 7701(a)(3) *or is treated as a corporation under section 851(q) or 7704* of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987, and financial institutions. A corporation's franchise is its authorization to exist and conduct business, whether created by legislation, by executive order, by a governmental agency, by contract or other private action, or by some combination thereof. Every corporation is deemed to have a corporate franchise. An entity described in section 646(b) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be classified in the same manner for purposes of this chapter as it is for federal income tax purposes.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. *The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Budget Reconciliation Act of 1987, Public Law Number 100-203, shall be effective at the time they become effective for federal income tax purposes.*

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] ~~For tax years beginning after December 31, 1986,~~ The term "gross income" means the gross income as defined in section 61 of the Internal Revenue Code of 1986, as amended through the date named in subdivision 19 for the applicable taxable year, plus any additional items of income taxable under this chapter but not taxable under the Internal Revenue Code, less any items included in federal gross income but of a character exempt from state income tax under the laws of the United States. ~~For tax years beginning before January 1, 1987, except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property;~~

gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

For tax years beginning before January 1, 1987, 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 Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f. For estates and trusts the adjusted gross income for purposes of the preceding sentence 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 Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f.

(i) 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(e) 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, sections 101 and 102 of Public Law Number 97-473, and section 243 of the Tax Reform Act of 1986, Public Law Number 99-514, 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.

(ii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982. The provisions of sections 905, 1708, and 1879(m) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

(iii) 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(e), 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(e), 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; section 1 of Public Law Number 98-611, and sections 1801, 1802, 1805 to 1809, 1812, 1842, 1853 to 1855, 1866, 1869 to 1873, 1875, and 1878(g) and (h) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

(iv) The Internal Revenue Code of 1954, as amended through 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 and sections 402, 403, 1803, 1804, 1852, and 1861 of the Tax Reform Act of 1986, Public Law Number 99-514, 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 December 31, 1985, shall be in effect for taxable years beginning after December 31, 1985.

The provisions of sections 121 to 123, 201, 202, 241, 401, 405, 411 to 413, 653, 654, 804, 811, 822, 1001, 1003, 1122, 1162, 1164, 1166, 1301, 1401, 1402, 1707, 1826, 1827, 1843, 1867, 1868, 1879(f), and 1895 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

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

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss for any taxable year shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apportions its income under the provisions of section 290.191, the net operating loss deduction shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

(e) The provisions of sections 381, 382, and 384 of the Internal Revenue Code of 1986, as amended through December 31, 1987, applies to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers.

Sec. 5. Minnesota Statutes 1986, section 290.931, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS OF DECLARATION.] Every corporation subject to taxation under this chapter (excluding section 290.92) shall make a declaration of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed \$1,000 \$500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations electing to file one return as permitted by rules prescribed under section 290.37, subdivision 1.

Sec. 6. Minnesota Statutes 1986, section 290.934, subdivision 1, is amended to read:

Subdivision 1. [ADDITION TO THE TAX.] In case of any underpayment of estimated tax by a corporation, ~~except as provided in subdivision 4,~~ there shall be added to the tax for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment (determined under subdivision 2) for the period of the underpayment (determined under subdivision 3).

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.934, subdivision 2, is amended to read:

Subd. 2. [AMOUNT OF UNDERPAYMENT.] For purposes of subdivision 1, the amount of the underpayment shall be the excess of

(1) ~~the amount of tax shown on the return for the tax year or, if no return is filed, the tax for the tax year~~ *required installment*, over

(2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

Sec. 8. Minnesota Statutes 1986, section 290.934, subdivision 3, is amended to read:

Subd. 3. [PERIOD OF UNDERPAYMENT.] 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

(1) The 15th day of the third month following the close of the taxable year.

(2) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph, a payment of estimated tax ~~on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under subdivision 2(1) for such installment date credited against unpaid required installments in the order in which such installments are required to be paid.~~

Sec. 9. Minnesota Statutes 1986, section 290.934, is amended by adding a subdivision to read:

Subd. 3a. [REQUIRED INSTALLMENTS.] *(1) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.*

(2) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(a) 90 percent of the tax shown on the return for the taxable year, or if no return is filed 90 percent of the tax for such year; or

(b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year providing such return was for a full 12-month period, did show a liability, and was filed by the corporation.

(3) Except for determining the first required installment for any taxable year, paragraph (2), clause (b) does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of \$1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (2), clause (b) must be

recaptured by increasing the next required installment by the amount of the reduction.

(4) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (1), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

(5) The "annualized income installment" is the excess, if any, of:

(a) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over;

(b) the aggregate amount of any prior required installments for the taxable year.

(c) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (a).

(d) The "applicable percentage" used in clause (a) is:

In the case of the following required installments:	The applicable percentage is:
1st	22.5
2nd	45
3rd	67.5
4th	90

(6)(a) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for all months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for all months during the taxable year preceding the filing month;

(iii) determine the tax on the amount determined under item (ii); and

(iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and all months during the taxable year preceding the filing month.

(b) For purposes of this paragraph:

(i) the "base period percentage" for any period of months is the average percent which the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

(ii) the term "filing month" means the month in which the installment is required to be paid;

(iii) this paragraph shall only apply if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and

(iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations, and other similar circumstances.

(c) In the case of a required installment, determined under this paragraph, if the corporation determines that the installment is less than the amount determined in paragraph (1), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1986 1987.

Sec. 11. [REPEALER.]

Minnesota Statutes 1986, sections 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended by Laws 1987, chapter 268, article 1, section 64; 290.131, as amended by Laws 1987, chapter 268, article 1, section 65; 290.132, as amended by Laws 1987, chapter 268, article 1, section 66; 290.133, as amended by Laws 1987, chapter 268, article 1, section 67; 290.134, as amended by Laws 1987, chapter 268, article 1, section 68; 290.135, as amended by Laws 1987, chapter 268, article 1, section 69; 290.136, as amended by Laws 1987, chapter 268, article 1, section 70; 290.138, as amended by Laws 1987, chapter 268, article 1, section 71; and 290.934, subdivision 4; and Minnesota Statutes 1987 Supplement, section 290.14, is repealed.

Sec. 12. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through December 31, 1987" for the phrase "Internal Revenue Code of 1986, as amended through December 31, 1986" whenever that phrase occurs in chapter 290, except section 290.01, subdivision 19, and chapter 291.

Sec. 13. [EFFECTIVE DATES.]

Section 4 is effective for taxable years beginning after December 31, 1986. The repeal in section 11 of Minnesota Statutes 1986, section 290.07,

subdivisions 3 and 6, are effective for taxable years beginning after December 31, 1986. The remainder of section 11 is effective for taxable years beginning after December 31, 1987. Except as provided in section 2, all other sections of this article are effective for taxable years beginning after December 31, 1987.

ARTICLE 4

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 3, is amended to read:

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

(a) the greater of federal adjusted gross income as defined in the Internal Revenue Code or zero; and

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

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (1) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) 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;

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) 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;

(x) ~~the ordinary income portion of a lump sum distribution under section 402(e)(3) of the Internal Revenue Code; and~~

(xi) 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; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

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, 417, and 121;

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

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

(d) relief granted under this chapter; or

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

Sec. 2. Minnesota Statutes 1986, section 290A.03, subdivision 7, is amended to read:

Subd. 7. [DEPENDENT.] "Dependent" means any person who is ~~under 18 years of age at the end of the calendar year who receives more than 50 percent of support from the claimant, or who is between 18 and 24 years of age and is a full time student who receives more than 50 percent of support from the claimant~~ considered a dependent under sections 151 and 152 of the Internal Revenue Code of 1986, as amended through December 31, 1987. "Dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead. ~~"Dependent" includes a person over 18 years of age who lives in the claimant's homestead and who receives more than 50 percent of support from the claimant.~~

Sec. 3. Minnesota Statutes 1987 Supplement, 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 a ~~resident of domiciled in~~ this state as provided in chapter 290 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.

(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 the 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 whose 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 each renter's household income for purposes of computing the amount of credit to be allowed.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING; INCOME TAX RETURN.]

Any claim for a refund based on property taxes payable shall be filed with the department of revenue on or before August 15 of the year in which the property taxes are due and payable. A copy of the claimant's federal income tax return for the taxable year preceding the year in which the property taxes are payable must be filed with the claim if the claimant filed a federal income tax return for that year *unless a copy has been submitted with the claimants' Minnesota income tax return under section 290.37, subdivision 3.*

Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 15 of the year following the year in which the rent was paid. A copy of the claimant's federal income tax return for the taxable year in which the rent was paid must be filed with the claim if the claimant filed a federal income tax return for that year.

The commissioner may extend the time for filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in the commissioner's judgment other good cause exists.

A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent which may be canceled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in the commissioner's judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed one year after the original due date for filing the claim.

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50, and 290.56 and for purposes of computing the time limit as provided in these sections the due date of the property tax refund return shall be the same as the due date contained in section 290.42 for an income tax return covering the year in which the rent was paid or the year preceding the year in which the property taxes are payable.

Sec. 5. Minnesota Statutes 1987 Supplement, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE; PENALTY.]

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead shall furnish a certificate of rent constituting property tax to each person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves prior to December 31, the owner or managing agent has the option to either provide the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate shall be made available to the renter not later than January 31 of the year following the year in which the rent was paid.

(b) Any owner or managing agent who willfully fails to furnish a certificate to the renter and the commissioner as required by this section is liable to the commissioner for a penalty of \$100 for each act or failure to act. The penalty shall be assessed and collected in the manner provided in chapter 290 for the assessment and collection of income tax. If the owner or managing agent willfully furnishes certificates that report total rent constituting property taxes in excess of the amount of actual property taxes paid on the rented part of a property, as determined under this section, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. If the owner or managing agent reports a total amount of rent constituting property taxes that exceeds by ten percent or more the actual property taxes, the report is deemed to be willful.

(c) If the owner or managing agent elects to provide the renter with the certificate at the time of moving, rather than after December 31, the amount of rent constituting property taxes shall be computed as follows:

(i) The net tax shall be reduced by $1/12$ for each month remaining in the calendar year.

(ii) In calculating the denominator of the fraction pursuant to section

290A.03, subdivision 11, the gross rent paid through the last month of claimant's occupancy shall be substituted for "the gross rent paid for the calendar year for the property in which the unit is located."

(d) The certificate of rent constituting property taxes shall include the address of the property, including the county, and the property tax parcel identification number and any additional information which the commissioner determines is appropriate.

(e) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer which gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.

(f) ~~The owner or managing agent must file a copy of the certificate of rent paid with the commissioner before April 15 of the year following the year in which the rent was paid.~~ The commissioner may require that each an owner or managing agent to submit a copy of the certificate of rent paid upon request or to submit a report on a single form the total property taxes for a property and the allocation of the property taxes as rent constituting property taxes among the renters of the property.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 3 are effective for claims based on rent paid in 1988 and subsequent years and claims based on property taxes payable in 1987 and subsequent years. Section 4 is effective for claims based on rent paid in 1987 and subsequent years and claims based on property taxes payable in 1988 and subsequent years. Section 5 is effective for certificates of rent paid for 1988 and subsequent years.

ARTICLE 5

PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1987 Supplement, section 124.155 subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) foundation aid as defined in section 124A.01;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) gifted and talented aid authorized in section 124.247;
- (f) aid for pupils of limited English proficiency authorized in section 124.273;
- (g) aid for chemical use programs authorized in section 124.246;
- (h) interdistrict cooperation aid authorized in section 124.272;

- (i) summer program aid authorized in section 124A.033;
- (j) transportation aid authorized in section 124.225;
- (k) community education programs aid authorized in section 124.271;
- (l) adult education aid authorized in section 124.26;
- (m) early childhood family education aid authorized in section 124.2711;
- (n) capital expenditure equalization aid authorized in section 124.245;
- (o) ~~homestead credit replacement aid authorized in section 273.1394;~~
- (p) ~~agricultural credit replacement aid authorized in section 273.1395~~
transition aid and disparity reduction aid authorized in section 273.1398;
- ~~(q)~~ (p) attached machinery aid authorized in section 273.138, subdivision 3; and
- ~~(r)~~ (q) teacher retirement and F.I.C.A. aid authorized in sections 124.2162 and 124.2163.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 2. Minnesota Statutes 1987 Supplement, section 124.2139 is amended to read:

124.2139 [REDUCTION OF ~~HOMESTEAD CREDIT TRANSITION AID AND DISPARITY REDUCTION AID~~ PAYMENTS TO SCHOOL DISTRICTS.]

The commissioner of revenue shall reduce ~~homestead credit replacement aid transition aid and disparity reduction aid~~ payments made to school districts ~~pursuant to under section 273.1394 273.1398~~ by the product of:

- (1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times
- (2) the difference between the employer contribution rate in effect prior to July 1, 1984, and the total employer contribution rate in effect after June 30, 1984.

Sec. 3. Minnesota Statutes 1987 Supplement, section 124A.02, subdivision 11, is amended to read:

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

(1) the amount of the district's ~~homestead credit replacement aid paid under section 273.1394 and its agricultural credit replacement aid under section 273.1395 transition aid and disparity reduction aid paid under section 273.1398~~ for that school year, ~~after any positive tax base adjustment but prior to any negative tax base adjustment under section 273.1396;~~

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

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

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

Sec. 4. Minnesota Statutes 1987 Supplement, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 458C, municipal auditorium, *airport owned by a city, town, county, or group thereof but not the airports owned or operated by the metropolitan airports commission or a city of over 50,000 population or an airport authority therein*, municipal museum or municipal stadium or (2) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport or (3) *property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the metropolitan airports commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes shall not be exempt.*

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

Sec. 5. Minnesota Statutes 1987 Supplement, section 272.02, subdivision 1, is amended to read:

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

- (1) all public burying grounds;
- (2) all public schoolhouses;
- (3) all public hospitals;
- (4) all academies, colleges, and universities, and all seminaries of learning;
- (5) all churches, church property, and houses of worship;

(6) institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clause (1) or (2), or paragraph (d), clause (2);

(7) all public property exclusively used for any public purpose;

(8) except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d) shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures; and

(f) flight property as defined in section 270.071.

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

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

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation

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

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

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

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

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

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

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

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

An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before

approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

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

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) *Property used as a transitional housing facility which provides temporary housing services for a period not to exceed one year for any resident, a continuous self sufficiency program, and other support services for residents, if the organization that owns and sponsors the transitional housing facility is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.*

Sec. 6. Minnesota Statutes 1987 Supplement, section 272.115, subdivision 4, is amended to read:

Subd. 4. No real estate sold on or after January 1, 1978, for which a certificate of value is required pursuant to subdivision 1 shall ~~receive the homestead value exemption amount or the agricultural exemption amount computed in section 275.081; be classified as a homestead or receive the taconite homestead credit provided in sections 273.134 to 273.136, unless~~ a certificate of value has been filed with the county auditor in accordance with this section.

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

Sec. 7. Minnesota Statutes 1987 Supplement, section 273.1102, is amended by adding a subdivision to read:

Subd. 3. [1988 ADJUSTMENT.]

For the purposes of any levy limitations or levy authorities expressed in mills, other than school district limitations based on adjusted assessed

value, or any salary or debt limitations expressed in terms of assessed value that are currently in effect or were put into effect as the result of laws enacted during the 1988 session of the state legislature, the dollar amount of those limitations or authorities will be determined as follows.

The equivalent dollar amount of those limitations or authorities for taxes payable in 1988 will be inflated by the ratio of the applicable jurisdiction's tax capacity or equalized tax capacity, whichever is appropriate for taxes payable 1989 to the amount equivalent to what would have been the jurisdiction's tax capacity or equalized tax capacity for taxes payable in 1988 if the provisions of sections 273.13 and 275.08, subdivision 1a, had been in effect.

For school districts levy limitations or authorities expressed in terms of mills and adjusted assessed value, their levy limitations shall be converted by the department of education to "equalized tax capacity rates." For purposes of this calculation, the 1987 adjusted assessed values of the district shall be converted to "adjusted tax capacities" by multiplying the equalized market values by class of property and by the tax capacity rates provided in section 273.13. The requirements of section 124.2131, subdivision 1, paragraph (c), and subdivisions 2 and 3, shall remain in effect.

Sec. 8. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 4, is amended to read:

Subd. 4. [STATE REIMBURSEMENT.] The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 2 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to section ~~273.1394~~ 273.1398, in the same proportion that the ad valorem tax is distributed.

Sec. 9. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF CREDITS.] The amounts of any credits or tax relief which reduce the gross tax shall be computed upon the reassessed value determined under subdivision 2. Payment shall be made pursuant to section ~~273.1394~~ 273.1398. For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed value determined under subdivision 2.

Sec. 10. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [LIMITATION ON HOMESTEAD CLASSIFICATION.] If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1 or class 2a or the value of the first tier of ~~assessment~~ tax capacity percentages provided under section 273.13, subdivision 22, or 23, paragraph (a) is entitled to assessment as a homestead under section 273.13,

subdivision 22 or 23, ~~and the homestead exemption under section 275.081, subdivision 2.~~ The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

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

Sec. 11. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 13, is amended 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~~ list that includes the name and social security or taxpayer identification number of each property owner applying for homestead classification.

If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the ~~homestead exemption amount provided under section 275.081~~ classification as a homestead under section 273.13, the taconite homestead credit, and the supplemental homestead credit; ~~and the tax reduction resulting from the agricultural exemption amount provided in section 275.081.~~ The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 25 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.

Any amount of homestead benefits recovered from the property owner must be transmitted to the commissioner by the end of each calendar quarter. Any amount recovered attributable to taconite homestead credit

shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The amount of penalty collected must be deposited in the county general fund.

The commissioner will provide suggested homestead applications to each county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 12. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 22, is amended to read:

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

The first \$68,000 of market value of class 1a property ~~must be assessed at 17~~ has a tax capacity of one percent of its market value. The ~~homestead~~ market value of class 1a property that exceeds \$68,000 ~~must be assessed at 27~~ but does not exceed \$100,000 has a tax capacity of 2.5 percent of its value. ~~The market value of class 1a property that exceeds \$100,000 has a tax capacity of 3.4 percent.~~

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

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

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

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

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

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

(3) any person who:

(i) is permanently and totally disabled and

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

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

(B) supplemental security income for the disabled; or

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

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

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

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

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

Class 1b property is valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first \$33,000 of market value shall be valued and assessed at five percent, the next \$33,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 18 percent; and in the case of all other real estate and manufactured homes, the first \$34,000 of market value shall be valued and assessed at five percent, the next \$34,000 of market value shall be valued and assessed at 17 percent, and the remaining market value shall be valued and assessed at 27 percent. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 18 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 17 percent rates. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. *The first \$32,000 market value of class 1b property has a tax capacity of .4 percent. The remaining market value of class 1b property has the tax capacity of the same type and market value of non-class 1b property.*

(c) Class 1c property is commercial use real property that abuts a lake-shore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. *It must be assessed at 12 Class 1c property has a tax capacity of .85 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.*

(d) *The tax to be paid on class 1a or class 1b property, less any reduction received pursuant to sections 273.123 and 473H.10, shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$700.*

Sec. 13. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The first ~~\$66,000~~ \$65,000 of market value of the land of an agricultural homestead is ~~valued at 30,~~ *exclusive of the first acre immediately surrounding the house, has a tax capacity of .4 percent. The remaining value of class 2a property is assessed at 40 the class 2a land that does not exceed 320 acres has a tax capacity of .85 percent, and the land in excess of 320 acres has a tax capacity of 1.7 percent of market value. The market value of the house and garage and immediately surrounding one acre that does not exceed \$65,000 has a tax capacity of .85 percent, and the excess over \$65,000 has a tax capacity of 2.2 percent.*

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

~~The tax to be paid on class 2a property, less any reduction received pursuant to sections 273.123 and 473H.10 shall be reduced by 52 percent of the tax. The amount of the reduction shall not exceed \$700.~~

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property ~~is assessed at 40~~ *has a tax capacity of 1.7 percent of market value.*

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

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

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

Sec. 14. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property is class 3a. It ~~is assessed at 60~~ *has a tax capacity of 3.3 percent of the first \$80,000 of market value and 96 5.3 percent of the market value over \$80,000. In*

the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel may qualify for the ~~60~~ 3.3 percent ~~assessment treatment of its capacity~~. In the case of other commercial or industrial property owned by one person or entity, only one parcel in each county may qualify for the ~~60~~ 3.3 percent ~~assessment treatment of its capacity~~.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and ~~shall be valued and assessed at 45~~ has a tax capacity of 2.5 percent of the first \$50,000 of market value and ~~50~~ 3.5 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the tax capacity of the first \$80,000 of market value ~~shall be valued and assessed at 60~~ is 3.3 percent and the tax capacity of the remainder ~~shall be assessed and valued at 86~~ is 4.8 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

Sec. 15. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property is ~~assessed at 70~~ has a tax capacity of 4.1 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, recreational, and ~~homesteads~~ a structure having five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is the earlier date;

(2) post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing;

(3) manufactured homes not classified under any other provision; and

(4) a dwelling, garage, and surrounding one acre of property on a non-homestead farm classified under subdivision 23, paragraph (b), which has a tax capacity of 2.7 percent.

Class 4b property is assessed at 60 percent for taxes levied in 1988, payable in 1989 and thereafter has a tax capacity of 3.5 percent, except as provided in clause (4).

(c) Class 4c property includes:

(1) a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

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

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

(3) *a qualified low-income building that receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1987.*

For all properties described in clauses (1) ~~and (2)~~, (2), and (3) and in paragraph (d), ~~clause (2)~~, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. *The land on which these structures are situated has a tax capacity of 3.5 percent if the structure contains fewer than four units, and 4.1 percent if the structure contains four or more units.*

~~(3)~~ (4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income 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 clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(4) (5) except as provided in paragraph (d), clause (1), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property *classified in clauses (5) and (6)* also includes the remainder of class 4d 1c resorts and has a tax capacity of 2.6 percent of market value, except that noncommercial seasonal recreational property has a tax capacity of 2.4 percent; and

(5) (6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1986. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property is assessed at 50 classified under clauses (1), (2), (3), and (4) has a tax capacity of 2.5 percent.

(d) Class 4d property includes:

(1) commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. The area of the property that is classified as class 4d must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth,

measured away from the lakeshore;

(2) any structure:

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

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property ~~must be assessed~~ *is classified* under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The 30 percent and 50 percent assessment ratios 1.4 percent and 2.5 percent tax capacity assignments apply to the properties described in paragraph (c), clauses (1) and (2), (2), and (3) and this clause, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity; and

(3) the first \$24,000 of market value of real estate or manufactured homes used for the purposes of a homestead by

(i) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

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

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

(B) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

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

(iii) any person who:

(A) is permanently and totally disabled and

(B) receives 90 percent or more of total income from

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

(2) supplemental security income for the disabled; or

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

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

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

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

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

The remaining value of class 4(d)(3) property in excess of \$34,000 shall be valued and assessed under subdivision 22 or 23, as appropriate, provided that only the value in excess of \$34,000 but not in excess of \$68,000 is assessed at the rate provided for the first tier of value in subdivision 22 or only the value in excess of \$34,000 but not in excess of \$66,000 is assessed at the rate provided for the first tier of value in subdivision 23.

Class 4d property is assessed at 30 percent of market value has a tax capacity of 1.4 percent of market value.

Sec. 16. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] All property not included in any other class is class 5 property and is assessed at 96 percent of market value.

(a) Tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, have a tax capacity of 4.5 percent of market value.

(b) Unmined iron ore and low-grade iron-bearing formations as defined in section 273.14 have a tax capacity of 5.3 percent of market value.

(c) Vacant land has a tax capacity of 5.3 percent of market value.

(d) All other property not otherwise classified has a tax capacity of 5.3 percent of market value.

Sec. 17. Minnesota Statutes 1987 Supplement, section 273.135, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate.

(b) In the case of property located within the boundaries of a school

district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) *and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate.*

(c) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit payable under this section and *"effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credit payable under this section for taxes payable in 1988, divided by the market value of the property.*

Sec. 18. Minnesota Statutes 1987 Supplement, section 273.1391, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the tax, provided that the amount of ~~said~~ the reduction shall not exceed the maximum amounts specified in clause (c) *and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate.* The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the tax, but not to exceed the maximums specified in clause (c) *and not to exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate.*

(c) The total maximum reduction of the tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit under this section, *"effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of*

the credit payable under this section for taxes payable in 1988, divided by the market value of the property.

Sec. 19. Minnesota Statutes 1987 Supplement, section 273.1392, is amended to read:

The amounts of ~~small business transition credit under section 273.1195;~~ disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; ~~homestead credit replacement aid under section 273.1394;~~ agricultural credit replacement aid under section ~~273.1395 transition aid and disparity aid under section 273.1398;~~ and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

Sec. 20. Minnesota Statutes 1987 Supplement, section 273.1393, is amended to read:

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) small business property tax transition credit as provided in section 273.1195;

(2) disaster credit as provided in section 273.123;

(3) powerline credit as provided in section 273.42;

(4) agricultural preserves credit as provided in section 473H.10;

(5) enterprise zone credit as provided in section 469.171;

(6) ~~state paid homestead credit as provided in section 273.13, subdivision 23;~~

~~(7)~~ taconite homestead credit as provided in section 273.135;

~~(8)~~ (7) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

Sec. 21. [273.1398] [TRANSITION AID AND DISPARITY REDUCTION AID.]

Subdivision 1. [DEFINITIONS.] In this section, the terms defined in this subdivision have the meanings given them.

(a) "Unique taxing jurisdiction" means the geographic area in which the local governments levying taxes under section 275.07 are the same.

(b) "Effective tax rate" is the property tax payable on a parcel in 1988 after reduction for the homestead credit, divided by the property's equalized market value.

(c) "Farm homestead effective tax rate" is the gross taxes reduced by agricultural and homestead credits, if applicable, for all farm homesteads in a unique taxing jurisdiction, divided by the total of the farm homesteads' equalized market values.

(d) "Farm homestead effective tax rate change" means the ratio of the farm homestead effective tax rate for taxes payable in 1988 to the farm

homestead effective tax rate that would be derived by using the 1987 assessment's equalized market values, multiplied by the appropriate tax capacity rates listed in section 273.13.

(e) "Homestead credit maximum" means the maximum possible homestead credit payable within a unique taxing jurisdiction.

(f) "Homestead immediately below the homestead credit maximum" means a nonagricultural homestead receiving \$1 less than the homestead credit maximum within a unique taxing jurisdiction.

(g) "Tax capacity" means the tax capacity computed using the tax rates listed in section 273.13 for all property within the unique taxing jurisdiction based on the January 2, 1987, assessment. The equalized market value utilized shall be reduced by the sum of:

(1) the unique taxing jurisdiction's equalized market value of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined under section 473F08, subdivision 6, for the municipality, as defined in section 473F02, subdivision 8, in which the unique taxing jurisdiction is located; and

(2) the equalized market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2.

(h) "Equalized market value" is market value that has been equalized by dividing the assessor's estimated market value by the assessment sales ratios determined by class in the 1987 assessment sales ratio study conducted by the department of revenue under section 124.2131. For computation of aids payable in 1989 only, the assessment sales ratios by class shall be adjusted proportionately so that the overall level of equalization after the computation shall not be greater than the greater of 92 percent or the 1987 aggregate assessment sales ratio.

(i) "Homestead effective rate" means the effective tax rate for taxes payable in 1988 of a homestead immediately below the homestead credit maximum.

Subd. 2. [TRANSITION AID.] (a) Transition aid for each unique taxing jurisdiction for taxes payable in 1989 is:

(1) the total gross tax levied on all properties, except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value, as defined in section 473F02, subdivision 3, subject to the areawide tax as provided in section 473F08, subdivision 6, in the unique taxing jurisdiction before reduction by the homestead or agricultural credit for taxes payable in 1988; minus

(2) the product of the following factors:

(i) 105.5;

(ii) the homestead effective rate, multiplied by the ratio of what would have been the school foundation and transportation levies within the unique taxing jurisdiction based on the school district's unadjusted 1987 adjusted assessed value to the payable 1988 school foundation and transportation levies within the unique taxing jurisdiction, multiplied by the ratio of the payable 1988 school foundation and transportation levies to the total levy within the unique taxing jurisdiction; and

(iii) the tax capacity.

(b) The transition aid is allocated in proportion to the local government's payable 1988 levies, as adjusted under paragraph (a), within the unique taxing jurisdiction.

(c) A county's transition aid shall be reduced by the estimated difference between:

(1) the calendar year 1989 income maintenance aids payable to the county under article 6 pursuant to the rates in effect for calendar year 1989; and

(2) the calendar year 1989 income maintenance aids that would be payable to the county under article 6 pursuant to the rates in effect for calendar year 1988.

Subd. 3. [ADDITIONAL TRANSITION AID FOR TOWNSHIPS.] (a) A unique taxing jurisdiction containing a township may receive additional transition aid. If:

(1) the total gross tax levied on all properties, except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value, as defined in section 473F02, subdivision 3, subject to the areawide tax as provided in section 473F08, subdivision 6, in the unique taxing jurisdiction before reduction by the homestead or agricultural credit for taxes payable in 1988; minus

(2) the product of the following factors:

(i) the tax capacity; and

(ii) the farm homestead effective rate change;

is greater than the transition aid calculated under subdivision 2, the amount of the difference is additional transition aid for the unique taxing jurisdiction.

(b) The additional transition aid is first allocated to the township in the amount necessary to reduce its 1988 gross tax as adjusted under paragraph (a) to 12 percent of its tax capacity. Any remainder is allocated as a credit to the unique taxing jurisdiction's taxpayers in the proportion that their 1989 gross tax as adjusted under paragraph (a) bears to the total gross taxes levied, as adjusted under paragraph (a), in the unique taxing jurisdiction.

Subd. 4. [DISPARITY REDUCTION AID.] (a) Local governments exercising tax authority within a unique taxing jurisdiction in which the effective tax rate for a homestead immediately below the homestead credit maximum is greater than one percent for taxes payable in 1988 shall receive disparity reduction aid. For purposes of this subdivision, the effective tax rate will be calculated using total taxes levied exclusive of any school referendum levies authorized under section 124.03, subdivision 2, and any school district debt service levy authorized under section 475.61.

(b) The disparity reduction aid shall be the greater of:

(1) the difference between (i) the total 1988 gross tax levied on all taxable property within the unique taxing jurisdiction as adjusted under subdivision 2, paragraph (a), minus the total transition aids and credits calculated in

subdivisions 2 and 3, and (ii) the tax capacity of the unique taxing jurisdiction based on a 100 percent level of equalization; or

(2) 20 percent of the difference between (i) 23 percent of the city's or township's tax capacity based on a 92 percent level of equalization for aids payable in 1989 only and (ii) its 1988 gross tax as adjusted under subdivision 2, paragraph (a), minus transition aids payable to the city or township pursuant to subdivisions 2 and 3 and the credits, if any, payable to a township's residents under subdivision 3.

(c) The disparity reduction aid is allocated first to the city or township in an amount sufficient to reduce its 1988 gross tax within the unique taxing jurisdiction to 23 percent of tax capacity and then to all special taxing districts, either coterminous or contained wholly within the city or township within the unique taxing jurisdiction and levying taxes payable in 1988 in the proportion that their individual taxes levied bear to their combined taxes levied to reduce their combined gross taxes to four percent of tax capacity. Any remaining disparity reduction aid will be payable directly to taxpayers residing in the unique taxing jurisdiction in the proportion that their 1989 gross tax as adjusted under subdivision 2, paragraph (a), bears to the total gross taxes levied, as adjusted under subdivision 2, paragraph (a), in the unique taxing jurisdiction. The amount of credit and the credit payable under subdivision 3, paragraph (b), will be increased by five percent and certified by the department of revenue to the county auditor who will proportionately reduce the payable 1989 taxes of the school district and county levying taxes in the unique taxing jurisdiction accordingly. The amount of the credit shall be reimbursed to the county and school district. The credit reimbursement will be payable at the same time as the aid payments made under subdivision 5.

Subd. 4a. Cities with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census which are adjacent to cities in another state or immediately adjacent to a city adjacent to a city in another state shall receive additional disparity reduction aid if the adjacent city in the other state has a population of greater than 5,000 and less than 75,000. The aid shall be a sum sufficient to reduce the total taxes levied on class 4a property to three percent of the property's market value and the tax on class 3a property to 3.3 percent of market value. The county auditor shall proportionately reduce each local government's tax capacity rate applied to class 4a so as to reduce each class 4a property's tax to three percent of market value and shall proportionately reduce each local government's tax capacity rate applied to class 3a property so as to reduce each class 3a property's tax to 3.3 percent of market value.

Subd. 4b. The county auditor shall annually certify the cost of the additional disparity reduction aid resulting from the provision of subdivision 4a to the department of revenue. Payment of the aid to the affected taxing jurisdictions will be made pursuant to subdivision 5.

Subd. 5. [PAYMENT.] The commissioner shall certify and pay the aids provided in this section at the times provided in sections 477A.014 and 477A.015 for certification and payment of local government aid to other taxing jurisdictions. Aids to school districts must be certified to the commissioner of education and paid under section 273.1392. Payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax.

Subd. 6. [APPROPRIATION.] An amount sufficient to pay the aids provided under this section is annually appropriated from the general fund to the commissioner of revenue.

Sec. 22. Minnesota Statutes 1986, section 275.07, is amended by adding a subdivision to read:

Subd. 3. For taxes payable in 1989, a city's or township's levy shall be certified in the following separately stated amounts:

(1) the product of:

(i) the amount of the positive difference, if any, of (A) the percentage increase in the sum of a city's or township's levy plus aids received under chapter 477A for 1989 over the prior year's sum of the same amounts minus (B) the percentage increase in the city's or township's 1989 aid amount received under chapter 477A over the city's or township's 1988 aid multiplied by

(ii) the city's or township's levy; and

(2) the remainder of the city's or township's levy.

Sec. 23. Minnesota Statutes 1986, section 275.08, is amended by adding a subdivision to read:

Subd. 1a. The county auditor shall annually compute the tax capacity for each parcel according to its tax capacity rates in section 273.13. The tax capacity will be the tax capacity rate multiplied by the parcel's market value.

Sec. 24. Minnesota Statutes 1986, section 275.08, is amended by adding a subdivision to read:

Subd. 1c. The amounts certified under section 275.07 by an individual local government unit shall be divided by the total tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's tax capacity rate, multiplied by each property's tax capacity shall be each property's total tax for that local government unit.

Sec. 25. Minnesota Statutes 1987 Supplement, section 276.04, is amended to read:

276.04 [NOTICE OF RATES; PROPERTY TAX STATEMENTS.]

Subdivision 1. [AUDITOR TO PUBLISH RATES.] On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose.

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district ~~shall~~ must be separately stated but the amount listed for the dollar amount due the city or township shall be net of the amount due the city or township for the levy certified under section 275.07, subdivision 3, clause (1), and the amount listed for the dollar amount due the school district shall be net of the amount due the

school district for a referendum levy authorized under section 124A.03, subdivision 2, and for debt levies authorized under section 475.61. The amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain (1) the property's market value, as defined in section 272.03, subdivision 8, (2) the tax capacity rate applicable to the property's classification under section 273.13, and the product of (1) and (2), property's initial tax. The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) general education revenue under section 124A.23, (ii) local government aid for cities, towns, and counties under chapter 477A, (iii) transitional aid and disparity reduction aid paid under section 273.1398, and (iv) income maintenance aids.

If the total tax itemized by jurisdiction and net of the amounts indicated above is greater than the initial tax, then the difference, if any, plus the dollar amount due the city or township for the levy certified under section 275.07, subdivision 3, clause (1), and the dollar amount due the school district for a referendum levy authorized under section 124A.03, subdivision 2, and debt levies authorized under section 475.61 shall be set forth on the statement as "Local Government Taxes in Excess of State Limitations."

Subd. 3. [MAILING OF TAX STATEMENTS.] The county treasurer shall mail to taxpayers statements of their personal property taxes due; ~~such statements to be mailed~~ not later than February 15, except in the case of manufactured homes and sectional structures taxed as personal property. Statements of the real property taxes due shall be mailed not later than January 31; ~~provided, that~~. The validity of the tax shall not be affected by failure of the treasurer to mail ~~such~~ the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax. ~~Such real and personal property tax statements shall contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall show the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 124.2137 as "state paid agricultural credit amount" and the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 273.13, subdivisions 22 and 23 as "state paid homestead credit amount."~~ The statement must state the amount deducted under section 273.1195 and identify it as "state paid small business transition credit."

Subd. 4. [COLLECTION SITE.] If so directed by the county board, the treasurer shall visit places in the county as the treasurer deems expedient for the purpose of receiving taxes and the county board is authorized to pay the expenses of such visits and of preparing duplicate tax lists. Failure

to mail the tax statement shall not be deemed a material defect to affect the validity of any judgment and sale for delinquent taxes.

Sec. 26. Minnesota Statutes 1986, section 276.06, is amended to read:

276.06 [TAX STATEMENTS TO STATE APPORTIONMENT OF TAXES.]

The treasurer of each county may cause to be printed, stamped, or written on the back of all current tax statements, or on a separate sheet or card to be furnished with the statements, a statement showing the ~~number of mills~~ *tax capacity rate* of the current tax apportioned to the state, county, city, town, or school district.

Sec. 27. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 7, is amended to read:

Subd. 7. [PROPERTY CLASSIFICATION CHANGES.] When any law governing the classification of real property and determining the percentage of market value to be assessed for ad valorem taxation purposes is amended, the increase or decrease in assessed valuation resulting therefrom shall be applied proportionately to original assessed value and captured assessed value of any tax increment financing district in each year thereafter. This subdivision applies to tax increment districts created pursuant to sections 469.174 to 469.178 or any prior tax increment law. *No adjustment shall be made under this subdivision as a result of the change from a system of property taxation based on assessed values to a system based on tax capacity under this act.*

Sec. 28. [TAX INCREMENT ADJUSTMENT.]

The county auditor shall determine a tax increment district's original tax capacity by multiplying the district's market values by class in the year of original certification or year of certification for any modification, as the case may be, by the tax capacity rates in section 273.13. The original tax capacity of an economic development district shall also be inflated to reflect the annual adjustment required by section 469.177 for prior years. The original tax capacities of the districts under this section shall be certified to authorities by July 1, 1988.

Sec. 29. Minnesota Statutes 1987 Supplement, section 473.446, subdivision 1, is amended to read:

Subdivision 1. [TAXATION WITHIN TRANSIT TAXING DISTRICT.] For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, except as otherwise provided in this subdivision the regional transit board shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) an amount up to two mills times the assessed value of all such property, based upon the level of transit service provided for the property, the proceeds of which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the commission under section 473.436, subdivision 6;

(b) an additional amount, if any, as the board determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other

obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council or board has specifically pledged tax levies under this clause.

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.5 mills on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.75 mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional transit board the amounts certified by the county auditors on the dates provided in section 273.1394 273.1398. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments in fiscal year 1987 and thereafter.

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period regular route service, plus weekday midday regular route service at intervals longer than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period regular route service only.

Sec. 30. Minnesota Statutes 1986, section 473F02, is amended by adding a subdivision to read:

Subd. 23. "Tax capacity" means the market value of real and personal property multiplied by its tax capacity rates in section 273.13.

Sec. 31. Minnesota Statutes 1987 Supplement, section 473F05, is amended to read:

473F05 [ASSESSSED VALUATION TAX CAPACITY; 1972 1988 AND SUBSEQUENT YEARS.]

On or before November 20 of 1972 1988 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the ~~assessed valuation tax capacity~~ in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

Sec. 32. Minnesota Statutes 1987 Supplement, section 473F06, is amended to read:

473F06 [INCREASE IN ASSESSED VALUATION TAX CAPACITY.]

On or before September 1 of 1976 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the ~~assessed valuation tax capacity~~ determined in the preceding year pursuant to section 473F05, of commercial-industrial property subject to taxation within each municipality in the auditor's county exceeds the ~~assessed~~

~~valuation~~ *tax capacity* in 1971 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 473F05 to the county auditor who is responsible under other provisions of law for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 473F07. Notwithstanding any other provision of sections 473F01 to 473F13 to the contrary, in the case of a municipality which is designated on July 24, 1971, as a redevelopment area pursuant to section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law Number 89-136, the increase in its ~~assessed valuation~~ *tax capacity* of commercial-industrial property for purposes of this section shall be determined in each year subsequent to the termination of such designation by using as a base the ~~assessed valuation~~ *tax capacity* of commercial-industrial property in that municipality in the year following that in which such designation is terminated, rather than the ~~assessed valuation~~ *tax capacity* of such property in 1971. The increase in ~~assessed valuation~~ *tax capacity* determined by this section shall be reduced by the amount of any decreases in the ~~assessed valuation~~ *tax capacity* of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on June 30 of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's ~~valuation~~ *tax capacity* under section 473F05, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher ~~valuation~~ *tax capacity* of the commercial-industrial property.

Sec. 33. Minnesota Statutes 1987 Supplement, section 473F07, subdivision 1, is amended to read:

Subdivision 1. Each county auditor shall certify the determinations pursuant to sections 473F05 and 473F06 to the administrative auditor on or before November 20 of each year. The administrative auditor shall determine the sum of the amounts certified pursuant to section 473F06, and divide that sum by 2-1/2. The resulting amount shall be known as the "areawide tax ~~base~~ *capacity* for (year)."

Sec. 34. Minnesota Statutes 1986, section 473F07, subdivision 4, is amended to read:

Subd. 4. The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide tax ~~base~~ *capacity*.

Sec. 35. Minnesota Statutes 1986, section 473F07, subdivision 5, is amended to read:

Subd. 5. The product of the multiplication prescribed by subdivision 4 shall be known as the "areawide tax ~~base~~ *capacity* for (year) attributable to (municipality)." The administrative auditor shall certify such product to the auditor of the county in which the municipality is located on or before November 25.

Sec. 36. Minnesota Statutes 1986, section 473F08, subdivision 1, is amended to read:

Subdivision 1. The county auditor shall determine the taxable ~~value~~ *capacity* of each governmental unit within the auditor's county in the manner prescribed by this section.

Sec. 37. Minnesota Statutes 1987 Supplement, section 473F08, subdivision 2, is amended to read:

Subd. 2. The ~~taxable value~~ *tax capacity* of a governmental unit is its ~~assessed valuation~~ *tax capacity*, as determined in accordance with other provisions of law including section 469.177, subdivision 3, subject to the following adjustments:

(a) There shall be subtracted from its ~~assessed valuation~~ *tax capacity*, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to 40 percent of the amount certified in that year pursuant to section 473F06 in respect to that municipality as the total preceding year's ~~assessed valuation~~ *tax capacity* of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 469.177, subdivision 3, bears to the total preceding year's ~~assessed valuation~~ *tax capacity* of commercial-industrial property within the municipality, determined without regard to section 469.177, subdivision 3;

(b) There shall be added to its ~~assessed valuation~~ *tax capacity*, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the areawide ~~base~~ *tax capacity* for the year attributable to that municipality as the total preceding year's ~~assessed valuation~~ *tax capacity* of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's ~~assessed valuation~~ *tax capacity* of residential property of the municipality.

Sec. 38. Minnesota Statutes 1986, section 473F08, subdivision 3, is amended to read:

Subd. 3. On or before October 15 of 1976 and each subsequent year, the county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) Determine the areawide portion of the levy for each governmental unit by multiplying the ~~nonagricultural mill rate~~ *tax capacity rate* of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) Determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Sec. 39. Minnesota Statutes 1986, section 473F08, subdivision 3a, is amended to read:

Subd. 3a. Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin

county auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin county auditor to the administrative auditor pursuant to subdivision 5. The Hennepin county auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. This additional areawide portion of the levy which is distributed to the city of Bloomington shall be exempt from the city's levy limit provisions contained in sections 275.50 to 275.56. For property taxes payable from the year 2000 through 2009, the Hennepin county auditor shall adjust Bloomington's contribution to the areawide tax ~~base~~ *capacity* upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide ~~mill rate~~ *tax capacity rate* for taxes payable in the previous year.

Sec. 40. Minnesota Statutes 1987 Supplement, section 473F08, subdivision 4, is amended to read:

Subd. 4. In 1972 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the ~~assessed valuation tax capacity~~ *tax capacity* of the governmental unit, taking section 469.177, subdivision 3, into account, less that portion subtracted from ~~assessed valuation tax capacity~~ *tax capacity* pursuant to subdivision 2, clause (a). The resulting rate shall apply to all taxable property except commercial-industrial property, which shall be taxed in accordance with subdivision 6.

Sec. 41. Minnesota Statutes 1986, section 473F08, subdivision 5, is amended to read:

Subd. 5. On or before November 30 of 1972 and each subsequent year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the ~~rate of taxation~~ *tax capacity rate* sufficient to yield an amount equal to the sum of such levies from the areawide tax ~~base~~ *capacity*. On or before December 5 the administrative auditor shall certify said rate to each of the county auditors.

Sec. 42. Minnesota Statutes 1987 Supplement, section 473F08, subdivision 6, is amended to read:

Subd. 6. The rate of taxation determined in accordance with subdivision 5 shall apply in the taxation of each item of commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 469.174, subdivision 9, to that portion of the ~~assessed valuation tax capacity~~ *tax capacity* of the item which bears the same proportion to its total ~~assessed valuation tax capacity~~ *tax capacity* as 40 percent of the amount determined pursuant to section 473F06 in respect to the municipality in which the property is taxable bears to the

amount determined pursuant to section 473F05. The rate of taxation determined in accordance with subdivision 4 shall apply in the taxation of the remainder of the ~~assessed valuation tax capacity~~ of the item.

Sec. 43. Minnesota Statutes 1986, section 473F08, subdivision 10, is amended to read:

Subd. 10. For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where such authorization, requirement, or limitation is related in any manner to any value or valuation of taxable property within any governmental unit, such value or ~~valuation tax capacity~~ shall be adjusted to reflect the adjustments to ~~valuation tax capacity~~ effected by subdivision 2, provided that: (1) in determining the market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 473F07, (a) the reduction required by this subdivision shall be that amount which bears the same proportion to the amount subtracted from the governmental unit's ~~assessed valuation tax capacity~~ pursuant to subdivision 2, clause (a), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the ~~assessed valuation tax capacity~~ of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision shall be that amount which bears the same proportion to the amount added to the governmental unit's ~~assessed valuation tax capacity~~ pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the ~~assessed valuation tax capacity~~ of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 473F07, the adjustment prescribed by clause (1) (a) hereof shall be made and that prescribed by clause (1) (b) hereof shall not be made.

Sec. 44. Minnesota Statutes 1986, section 473F10, is amended to read:

473F10 [REASSESSMENTS AND OMITTED PROPERTY.]

Subdivision 1. If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls, as the case may be, by November 15, the ~~assessed valuation tax capacity~~ of the affected property shall, for purposes of sections 473F03 to 473F08, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

Subd. 2. If the reassessment, when completed and incorporated in the commissioner of revenue's certification of the ~~assessed valuation tax capacity~~ of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the ~~assessed valuation tax capacity~~ of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 473F03 to 473F08, the increase in the ~~assessed valuation tax capacity~~ of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 473F06, shall be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections 473F03 to 473F08, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes,

provided that no adjustment shall reduce the amount determined under section 473F.06 to an amount less than zero.

Subd. 3. Subdivisions 1 and 2 shall not apply to the determination of the tax rate under section 473F.08, subdivision 4, or to the determination of the ~~assessed valuation~~ *tax capacity* of commercial-industrial property and each item thereof for purposes of section 473F.08, subdivision 6.

Sec. 45. [FISCAL DISPARITIES ADJUSTMENT.]

For purposes of determining the areawide levy and local levies under section 473F.08, subdivisions 3, 4, 5, and 6, for taxes payable in 1989, the initial computation shall be done based on chapter 473F as codified in Minnesota Statutes 1986 and Minnesota Statutes 1987 Supplement. However, after the dollar amount of the areawide and local levies has been determined under section 473F.08, subdivisions 3, 4, 5, and 6, the dollar amount of the levies shall be spread on the basis of this act. The dollar amount of the areawide tax shall be levied against the portion of commercial-industrial tax capacity equal to the portion of commercial-industrial assessed value that would have been subject to the areawide tax under Minnesota Statutes 1986. Prior to November 20, 1988, the county auditors with the assistance of the county assessors shall determine the tax capacity of commercial-industrial property in each municipality as of the January 2, 1971, assessment. The tax capacity shall be computed by multiplying the municipality's market value of commercial-industrial assessed value by class by the tax capacity rates in section 273.13.

Sec. 46. Minnesota Statutes 1986, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] Population means the population established by the most recent federal census, ~~by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 116K.04, subdivision 4, clause (10), whichever is the most recent as to the stated date of the count or estimate.~~

Sec. 47. Minnesota Statutes 1986, section 477A.011, subdivision 3a, is amended to read:

Subd. 3a. [NUMBER OF HOUSEHOLDS.] Number of households means the number of households established by the most recent federal census, ~~by a special census conducted under contract with the United States bureau of the census, by an estimate made by the metropolitan council, or by an estimate of the state demographer made pursuant to section 116K.04, subdivision 4, whichever is the most recent as to the stated date of the count or estimate.~~

Sec. 48. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 15. [CITY REVENUE PER HOUSEHOLD.] "City revenue per household" equals the sum of the city's 1988 aid payable under Minnesota Statutes 1986, section 477A.013, and its levy for taxes payable in 1988.

Sec. 49. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 16. [CITY REVENUE.] "City revenue" equals city revenue per household multiplied by the number of households.

Sec. 50. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 17. [BASE REVENUE GUARANTEE. "Base revenue guarantee" is the sum of (1) \$160 per household plus (2) (i) \$150 multiplied by (ii) the base ten logarithm of a city's number of households minus one.

Sec. 51. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 18. [REVENUE GUARANTEE INCREASE.] "Revenue guarantee increase" is the sum of:

(1) \$190 per household for cities of the first class located in the metropolitan area and \$190 per household for cities located outside the metropolitan area; and

(2) 15 percent of a city's base revenue guarantee for cities in which the population has declined since the state demographer's estimate for the third year preceding the most recent estimate.

Sec. 52. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 19. [CITY REVENUE GUARANTEE.] "City revenue guarantee" is the product of:

(1) the sum of a city's base revenue guarantee and the city's revenue guarantee increase;

(2) the number of households in the city; and

(3) 108 percent.

Sec. 53. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 20. [METROPOLITAN AREA.] "Metropolitan area" is the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 54. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 21. [CITY TAX CAPACITY.] "City tax capacity" means (1) 23 percent of the tax capacity computed using the tax capacity rates listed in section 273.13 for all taxable property within the city based on the January 2, 1987, assessment, plus (2) a city's levy on the fiscal disparities distribution under section 473F08, subdivision 3, paragraph (a), for taxes payable in 1988. The market value utilized shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined pursuant to section 473F08, subdivision 2, paragraph (a), and (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. The tax capacity will be computed using market values that have been equalized by dividing the assessor's estimated market value by the assessment sales ratios determined by class in the 1987 assessment sales ratio study conducted by the department of revenue under section 124.2131.

Sec. 55. Minnesota Statutes 1986, section 477A.011, is amended by

adding a subdivision to read:

Subd. 22. [CITY INITIAL AID.] "Initial aid" for a city is its city revenue guarantee minus its tax capacity.

Sec. 56. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 23. [CITY EXPENDITURE/UNLIMITED AID RATIO.] "Expenditure/unlimited aid ratio" for a city is the ratio of a city's levy plus local government aids received under Minnesota Statutes 1986, section 477A.013, for calendar year 1988 to its city revenue guarantee.

Sec. 57. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 24. [COUNTY REVENUE PER HOUSEHOLD.] "County revenue per household" equals the sum of (1) the county's 1988 aid payable under Minnesota Statutes 1986, section 477A.012, subdivision 1, and (2) its levy for taxes payable in 1988 less any amount levied for income maintenance programs.

Sec. 58. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 25. [COUNTY REVENUE.] "County revenue" equals county revenue per household multiplied by the number of households.

Sec. 59. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 26. [COUNTY REVENUE GUARANTEE PER HOUSEHOLD.] "County revenue guarantee per household" for counties wholly outside the metropolitan area is the sum of:

(1) \$440;

(2) .4 percent of the county's exempt market value per household;

(3) \$45 for counties within or immediately adjacent to a county containing a metropolitan statistical area; and

(4) \$440,000 multiplied by a fraction having a numerator of one and a denominator of the number of households in the county.

"County revenue guarantee per household" for counties within the metropolitan area is the sum of:

(1) \$450; and

(2) \$3,475,000 multiplied by a fraction having a numerator of one and a denominator of the number of households in the county.

Sec. 60. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 27. [COUNTY REVENUE GUARANTEE.] "County revenue guarantee" is the county revenue guarantee per household multiplied by the number of households in the county.

Sec. 61. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 28. [COUNTY TAX CAPACITY.] "County tax capacity" means:

(1) 28 percent of the tax capacity computed using the tax capacity rates listed in section 273.13 for all taxable property within the county based on the January 2, 1987, assessment, plus

(2) a county's levy on the fiscal disparities distribution under section 473F08, subdivision 3, paragraph (a), for taxes payable in 1988.

The market value utilized shall be reduced by the sum of:

(1) the county's market value of commercial industrial property as defined in section 473F02, subdivision 3, multiplied by the ratio determined under section 473F08, subdivision 2, paragraph (a); and

(2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2.

The initial tax will be computed using market values that have been equalized by dividing the assessor's estimated market value by the assessment sales ratios determined by class in the 1987 assessment sales ratio study conducted by the department of revenue under section 124.2131.

Sec. 62. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 29. [COUNTY INITIAL AID.] "Initial aid" for a county is its county revenue guarantee minus its tax capacity.

Sec. 63. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 30. [COUNTY EXPENDITURE/UNLIMITED AID RATIO.] "Expenditure/unlimited aid ratio" for a county is the ratio of a county's levy less any amounts levied for income maintenance programs plus local government aids received under Minnesota Statutes 1986, section 477A.012, for calendar year 1988 to its county revenue guarantee.

Sec. 64. Minnesota Statutes 1987 Supplement, section 477A.012, subdivision 1, is amended to read:

Subdivision 1. [AID AMOUNT.] In calendar year 1988 and calendar years thereafter, each county government shall receive a distribution equal to the aid amount certified for 1987 pursuant to this subdivision.

Sec. 65. Minnesota Statutes 1986, section 477A.012, is amended by adding a subdivision to read:

Subd. 3. [1989 DISTRIBUTION.] In 1989, a county will receive the following aid increases, in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.012:

(1) for a county whose initial aid is \$0, one percent of its 1988 local government aids;

(2) for a county whose expenditure/unlimited aid ratio is at least two, one percent of county revenue;

(3) for a county whose expenditure/unlimited aid ratio is at least 1.5 but less than two, 1.5 percent of county revenue;

(4) for a county whose expenditure/unlimited aid ratio is at least 1.25 but less than 1.5, two percent of county revenue;

(5) for a county whose expenditure/unlimited aid ratio is at least one but less than 1.25, 2.5 percent of county revenue;

(6) for a county whose expenditure/unlimited aid ratio is at least .75 but less than one, three percent of county revenue;

(7) for a county whose expenditure/unlimited aid ratio is at least .5 but less than .75, 3.5 percent of county revenue;

(8) for a county whose expenditure/unlimited aid ratio is at least .25 but less than .5, four percent of county revenue; and

(9) for a county whose expenditure/unlimited aid ratio is less than .25, five percent of county revenue.

In no case will a county receive an increase of less than one percent of its 1988 local government aid.

A county's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in 1988, or (2) its initial aid amount.

Sec. 66. Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. [TOWNS.] In calendar year 1988 ~~and calendar years thereafter~~, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. *In calendar year 1989, each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988.*

Sec. 67. Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 2, is amended to read:

Subd. 2. [CITIES.] In calendar year 1988 ~~and calendar years thereafter~~, each city shall receive a local government aid distribution equal to the amount that the city was certified to receive for calendar year 1987 under this subdivision.

Sec. 68. Minnesota Statutes 1986, section 477A.013, is amended by adding a subdivision to read:

Subd. 3. [1989 CITY DISTRIBUTION.] *In 1989, a city will receive the following aid increases in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013:*

(1) for a city whose initial aid is \$0, two percent of its 1988 local government aids;

(2) for a city whose expenditure/unlimited aid ratio is at least 1.5, two percent of city revenue;

(3) for a city whose expenditure/unlimited aid ratio is at least 1.4 but less than 1.5, 2.5 percent of city revenue;

(4) for a city whose expenditure/unlimited aid ratio is at least 1.3 but

less than 1.4, three percent of city revenue;

(5) for a city whose expenditure/unlimited aid ratio is at least 1.2 but less than 1.3, four percent of city revenue;

(6) for a city whose expenditure/unlimited aid ratio is at least 1.1 but less than 1.2, five percent of city revenue;

(7) for a city whose expenditure/unlimited aid ratio is at least 1.05 but less than 1.1, six percent of city revenue;

(8) for a city whose expenditure/unlimited aid ratio is at least 1.0 but less than 1.05, seven percent of city revenue;

(9) for a city whose expenditure/unlimited aid ratio is at least .95 but less than 1.0, 7.5 percent of city revenue;

(10) for a city whose expenditure/unlimited aid ratio is at least .75 but less than .95, 8.5 percent of city revenue; and

(11) for a city whose expenditure/unlimited aid ratio is less than .75, nine percent of city revenue.

A city's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in 1988, or (2) its initial aid amount.

Sec. 69. [APPROPRIATION.]

There is appropriated from the general fund to the commissioner of revenue the amount necessary to make the payments required in sections 65, 66, and 68.

Sec. 70. [REPEALER.]

Minnesota Statutes 1986, sections 273.13, subdivision 30; 477A.011, subdivisions 4, 5, 6, 7a, 10, 11, 12, 13, and 14; and Minnesota Statutes 1987 Supplement, sections 273.1102, subdivision 2; 273.13, subdivisions 9 and 15a; 273.1394; 273.1395; 273.1396; 275.081; 275.082; 275.125, subdivision 22; and 477A.011, subdivision 7, are repealed.

Sec. 71. [INSTRUCTION TO REVISOR.]

The revisor of statutes is directed to change the words "assessed value" or "assessed valuation" wherever they appear in Minnesota Statutes to "tax capacity" and the words "mill rate" wherever they appear in Minnesota Statutes to "tax capacity rate" in Minnesota Statutes 1988 and subsequent editions of the statutes.

Sec. 72. [EFFECTIVE DATE.]

Sections 1 to 71 are effective for taxes levied in 1988, payable in 1989, and thereafter.

ARTICLE 6

HUMAN SERVICES PROGRAMS

Section 1. Minnesota Statutes 1987 Supplement, section 256.01, subdivision 2, is amended to read:

Subd. 2. [SPECIFIC POWERS.] Subject to the provisions of section 241.021, subdivision 2, the commissioner of human services shall:

(1) Administer and supervise all forms of public assistance provided for

by state law and other welfare activities or services as are vested in the commissioner. *Administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising human services activities vested by law in the department, the commissioner shall:*

(a) have the authority to require local agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations and policies governing human services;

(b) have the authority to monitor the performance of local agencies in the operation and administration of human services on an ongoing basis, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote excellence of administration and program operation;

(c) have the authority to develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(d) have the authority to require local agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(e) have the authority to delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 256.016; and

(f) have the authority to make contracts with and grants to public and private agencies and organizations, both profit and nonprofit, and individuals, using appropriated funds.

(2) Inform local agencies of changes in statute, rule, federal law, regulation, and policy necessary to local agency administration of the programs.

(3) Administer and supervise all child welfare activities; promote the enforcement of laws protecting handicapped, dependent, neglected and delinquent children, and children born to mothers who were not married to the children's fathers at the times of the conception nor at the births of the children; license and supervise child-caring and child-placing agencies and institutions; supervise the care of children in boarding and foster homes or in private institutions; and generally perform all functions relating to the field of child welfare now vested in the state board of control.

(3) (4) Administer and supervise all noninstitutional service to handicapped persons, including those who are visually impaired, hearing impaired, or physically impaired or otherwise handicapped. The commissioner may provide and contract for the care and treatment of qualified indigent children in facilities other than those located and available at state hospitals when it is not feasible to provide the service in state hospitals.

(4) (5) Assist and actively cooperate with other departments, agencies and institutions, local, state, and federal, by performing services in conformity with the purposes of Laws 1939, chapter 431.

(5) (6) Act as the agent of and cooperate with the federal government in matters of mutual concern relative to and in conformity with the provisions of Laws 1939, chapter 431, including the administration of any

federal funds granted to the state to aid in the performance of any functions of the commissioner as specified in Laws 1939, chapter 431, and including the promulgation of rules making uniformly available medical care benefits to all recipients of public assistance, at such times as the federal government increases its participation in assistance expenditures for medical care to recipients of public assistance, the cost thereof to be borne in the same proportion as are grants of aid to said recipients.

(6) (7) Establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

~~(7) Administer and supervise any additional welfare activities and services as are vested by law in the department.~~

(8) The commissioner is designated as guardian of both the estate and the person of all the wards of the state of Minnesota, whether by operation of law or by an order of court, without any further act or proceeding whatever, except as to persons committed as mentally retarded.

(9) Act as coordinating referral and informational center on requests for service for newly arrived immigrants coming to Minnesota.

(10) The specific enumeration of powers and duties as hereinabove set forth shall in no way be construed to be a limitation upon the general transfer of powers herein contained.

(11) Establish county, regional, or statewide schedules of maximum fees and charges which may be paid by local agencies for medical, dental, surgical, hospital, nursing and nursing home care and medicine and medical supplies under all programs of medical care provided by the state and for congregate living care under the income maintenance programs.

(12) Have the authority to conduct and administer experimental projects to test methods and procedures of administering assistance and services to recipients or potential recipients of public welfare. To carry out such experimental projects, it is further provided that the commissioner of human services is authorized to waive the enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver shall provide alternative methods and procedures of administration, shall not be in conflict with the basic purposes, coverage, or benefits provided by law, and in no event shall the duration of a project exceed four years. It is further provided that no order establishing an experimental project as authorized by the provisions of this section shall become effective until the following conditions have been met:

(a) The proposed comprehensive plan including estimated project costs and the proposed order establishing the waiver shall be filed with the secretary of the senate and chief clerk of the house of representatives at least 60 days prior to its effective date.

(b) The secretary of health, education, and welfare of the United States has agreed, for the same project, to waive state plan requirements relative to statewide uniformity.

(c) A comprehensive plan, including estimated project costs, shall be approved by the legislative advisory commission and filed with the commissioner of administration.

(13) In accordance with federal requirements establish procedures to be

followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(14) Allocate federal fiscal disallowances or sanctions which are based on quality control error rates for the aid to families with dependent children, medical assistance, or food stamp program in the following manner:

(a) One-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For the medical assistance and AFDC programs, disallowances shall be shared by each county board in the same proportion as that county's expenditures for the sanctioned program are to the total of all counties' expenditures for the AFDC and medical assistance programs. For the food stamp program, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administrative costs for food stamps are to the total of all food stamp administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of food stamp benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due hereunder, the commissioner may deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due.

(b) Notwithstanding the provisions of paragraph (a), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in paragraph (a), an amount equal to the portion of the total disallowance which resulted from the noncompliance, and may distribute the balance of the disallowance according to paragraph (a).

(15) Develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches \$400,000. When the balance in the account exceeds \$400,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(16) Have the authority to make direct payments to facilities providing shelter to women and their children pursuant to section 256D.05, subdivision 3. Upon the written request of a shelter facility that has been denied payments under section 256.05, subdivision 3, the commissioner shall review all relevant evidence and make a determination within 30 days of the request for review regarding issuance of direct payments to the shelter facility. Failure to act within 30 days shall be considered a determination not to issue direct payments.

Sec. 2. [256.016] [COMPLIANCE SYSTEM.]

Subdivision 1. [AUTHORITY AND PURPOSE.] The commissioner shall administer a compliance system for aid to families with dependent children, the food stamp program, emergency assistance, general assistance, work

readiness, medical assistance, general assistance medical care, emergency general assistance, Minnesota supplemental assistance, preadmission screening, and alternative care grants under the powers and authorities named in section 256.01, subdivision 2. The purpose of the compliance system is to permit the commissioner to supervise the administration of public assistance programs and to enforce timely and accurate distribution of benefits, completeness of service and efficient and effective program management and operations, to increase uniformity and consistency in the administration and delivery of public assistance programs throughout the state, and to reduce the possibility of sanctions and fiscal disallowances for noncompliance with federal regulations and state statutes.

The commissioner shall utilize training, technical assistance, and monitoring activities, as specified in section 256.01, subdivision 2, to encourage local agency compliance with written policies and procedures.

Subd. 2. [DEFINITIONS.] The following terms have the meanings given for the purpose of this section.

(a) "Administrative penalty" means an adjustment against the local agency's state and federal benefit and federal administrative reimbursement when the commissioner determines that the local agency is not in compliance with the policies and procedures established by the commissioner.

(b) "Quality control case penalty" means an adjustment against the local agency's federal administrative reimbursement and state and federal benefit reimbursement when the commissioner determines through a quality control review that the local agency has made incorrect payments, terminations, or denials of benefits as determined by state quality control procedures for the aid to families with dependent children, food stamp, or medical assistance programs, or any other programs for which the commissioner has developed a quality control system. Quality control case penalties apply only to agency errors as defined by state quality control procedures.

(c) "Quality control" means a review system of a statewide random sample of cases, designed to provide data on the accuracy with which state and federal policies are being applied in issuing benefits and as a fiscal audit to ensure the accuracy of expenditures. The quality control system is administered by the department. For the aid to families with dependent children, food stamp, and medical assistance programs, the quality control system is that required by federal regulation.

Subd. 3. [QUALITY CONTROL CASE PENALTY.] The department shall disallow, withhold, or deny state and federal benefit reimbursement and federal administrative reimbursement payment to a county when the commissioner determines that the county has incorrectly issued benefits or incorrectly denied or terminated benefits. These cases shall be identified by state quality control reviews.

Subd. 4. [DETERMINING THE AMOUNT OF THE QUALITY CONTROL PENALTY.] (a) The amount of the quality control penalty is limited to the amount of the dollar error for the quality control sample month in a reviewed case as determined by the state quality control review procedures for the aid to families with dependent children and food stamp programs or for any other income transfer program for which the commissioner develops a quality control program.

(b) Payment errors in medical assistance or any other medical services

program for which the department develops a quality control program are subject to set rate penalties based on the average cost of the specific quality control error element for a sample review month for that household size and status of institutionalization, and as determined from state quality control data in the preceding fiscal year for the corresponding program.

(c) Errors identified in negative action cases, such as incorrect terminations or denials of assistance are subject to set rate penalties based on the average benefit cost of that household size as determined from state quality control data in the preceding fiscal year for the corresponding program.

Subd. 5. [ADMINISTRATIVE PENALTIES.] The department shall disallow or withhold state and federal benefit reimbursement and federal administrative reimbursement from local agencies when the actions performed by the local agency are not in compliance with the written policies and procedures established by the commissioner. The policies and procedures must be previously communicated to the local agency. A local agency shall not be penalized for complying with a written policy or procedure, even if the policy or procedure is found to be erroneous and is subsequently rescinded by the commissioner.

Subd. 6. [DETERMINING THE AMOUNT OF THE ADMINISTRATIVE PENALTY.] The amount of the penalty imposed on any local agency is based on the numbers of public assistance applicants and recipients that may be affected by the local agency's failure to comply with the policies and procedures established by the commissioner, the fiscal impact of the local agency's action, and the duration of the noncompliance as determined by the commissioner. Administrative penalties shall be imposed independent of any quality control case penalties.

Subd. 7. [PROCESS AND EXCEPTION.] (a)(1) The department shall notify the local agency in writing of all proposed case penalties.

(2) The local agency may submit a written exception of the quality control error claim and proposed penalty. The exception must be submitted to the commissioner within ten calendar days of the receipt of the penalty notice.

(3) Within 20 calendar days of receipt of the written exception, the commissioner shall sustain, dismiss, or amend the quality control findings and case penalty and notify the local agency, in writing, of the decision and the amount of any penalty. The commissioner's decision is not subject to judicial review.

(b)(1) The department shall notify the local agency in writing of any proposed administrative penalty, the date by which the local agency shall have corrected the issues noted in the penalty, and the time period within which the local agency must submit a corrective action plan for compliance.

(2) If the local agency fails to submit a corrective action plan within the stated time period, or if the corrective action plan does not bring the agency into compliance as determined by the department, or if the local agency fails to meet the commitments in the corrective action plan, the department shall issue the administrative penalty and notify the local agency in writing.

(3) The local agency may file written exception to the administrative

penalty with the commissioner within 30 days of the receipt of the department's notice of issuing the administrative penalty. The local agency must notify the commissioner of its intent to file a written exception within ten days of the delivery of the department's notice of the administrative penalty. If the local agency does not notify the commissioner of its intent to file and file a written exception within the prescribed time periods, the department's initial decision shall be final.

(4) The commissioner shall sustain, dismiss, or amend the administrative penalty findings, and shall issue a written order to the local agency within 30 calendar days after receiving the local agency's written exception.

Subd. 8. [JUDICIAL REVIEW.] A local agency that is aggrieved by the order of the commissioner in an administrative penalty of over \$100,000, or 1.5 percent of the total benefit expenditures for the income maintenance programs listed in subdivision 1, for that county, whichever is the lesser amount, may appeal the order to the court of appeals by serving a written copy of a notice of appeal upon the commissioner within 30 days after the date the commissioner issued the administrative penalty order, and by filing the original notice and proof of service with the court administrator of the court of appeals. Service may be made personally or by mail. Service by mail is complete upon mailing. The record of review shall consist of the advance notice of the administrative penalty to the local agency, the local agency corrective action plan if any, the final notice of the administrative penalty, the local agency's written exception to the administrative penalty order, and any other material submitted for the commissioner's consideration, and the commissioner's final written order. The court may affirm the decision of the agency or remand the case for further proceedings, or it may reverse or modify the decision if the substantial rights of the local agency have been prejudiced because the decision is: (1) in excess of the statutory authority or jurisdiction of the agency; (2) unsupported by substantial evidence in view of the entire record as submitted; (3) arbitrary or capricious; or (4) in violation of constitutional provisions.

Subd. 9. [TIMING AND DISPOSITION OF PENALTY AND CASE DISALLOWANCE FUNDS.] Quality control case penalty and administrative penalty amounts shall be disallowed or withheld from the next regular reimbursement made to the county agency for state and federal benefit reimbursements and federal administrative reimbursements for all programs covered in this section, according to procedures established in statute, but shall not be imposed sooner than 30 calendar days from the date of written notice of such penalties. All penalties must be deposited in the county incentive fund as provided for in section 256.017. All penalties must be imposed according to this provision until a decision is made regarding the status of a written exception. Penalties must be returned to local agencies when a review of a written exception results in a decision in their favor.

Subd. 10. [COUNTY OBLIGATION TO MAKE BENEFIT PAYMENTS.] Counties subject to fiscal penalties shall not withhold benefits from eligible recipients of programs listed in subdivision 1 in order to cover the cost of penalties under this section. County funds shall be used to cover the cost of any penalties.

Sec. 3. [256.017] [COUNTY PUBLIC ASSISTANCE INCENTIVE FUND.]

\$1,000,000 is appropriated from the general fund to the department in

each fiscal year beginning in 1990 for awards to counties: (1) that have not been assessed an administrative penalty under section 256.016 in the corresponding fiscal year; and (2) that perform satisfactorily according to indicators established by the commissioner.

After consultation with local agencies, the commissioner shall inform local agencies in writing of the performance indicators that govern the awarding of the incentive fund for each fiscal year by April of the preceding fiscal year.

The commissioner may set performance indicators to govern the awarding of the total fund, may allocate portions of the fund to be awarded by unique indicators, or may set a sole indicator to govern the awarding of funds.

The funds shall be awarded to qualifying local agencies according to their share of benefits for the programs related to the performance indicators governing the distribution of the fund or part of it as compared to the total benefits of all qualifying local agencies for the programs related to the performance indicators governing the distribution of the fund or part of it.

Sec. 4. Minnesota Statutes 1986, section 256.72, is amended to read:
256.72 [DUTIES OF COUNTY AGENCIES.]

The county agencies shall:

(1) Administer the provisions of sections 256.72 to 256.87 in the respective counties subject to the rules prescribed by the state agency pursuant to the provisions of those sections *and to the supervision of the commissioner of human services specified in section 256.01;*

(2) Report to the state agency at such times and in such manner and form as the state agency may from time to time direct; and

(3) Submit quarterly and annually to the county board of commissioners a budget containing an estimate and supporting data setting forth the amount of money needed to carry out the provisions of those sections.

(4) In addition to providing financial assistance, provide such services as will help to maintain and strengthen family life and promote the support and personal independence of parents and relatives insofar as such help is consistent with continuing parental care and protection.

Sec. 5. Minnesota Statutes 1986, section 256.81, is amended to read:
256.81 [COUNTY AGENCY, DUTIES.]

(1) The county agency shall keep such records, accounts, and statistics in relation to aid to families with dependent children as the state agency shall prescribe.

(2) Each grant of aid to families with dependent children shall be paid to the recipient by the county agency except in those instances in which the county agency subject to the rules of the state agency determines that payments for care shall be made to an individual other than the parent or relative with whom the dependent child is living or to vendors of goods and services for the benefit of the child because such parent or relative is unable to properly manage the funds in the best interests and welfare of the child.

(3) The county shall be paid from state and federal funds available therefor the amount provided for in section 256.82.

(4) Federal funds available for administrative purposes shall be distributed between the state and the counties in the same proportion that expenditures were made *except as provided for in section 256.016.*

Sec. 6. Minnesota Statutes 1986, section 256.82, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY PAYMENTS.] *For the period from January 1 to June 30, based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to 70 85 percent of the difference between the total estimated cost and the federal funds so available for payments made after December 31, 1979 and before January 1, 1981, and 85 percent of the difference for payments made after December 31, 1980 except as provided for in section 256.016. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016. For the period from July 1 to December 31, based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.*

Sec. 7. Minnesota Statutes 1986, section 256.863, is amended to read:

256.863 [RECOVERY OF MONEYS; APPORTIONMENT.]

When any amount shall be recovered from any source for assistance furnished under the provisions of sections 256.72 to 256.87, *except as provided in sections 256.018 and 256.98, subdivision 7,* there shall be paid to the United States the amount which shall be due under the terms of the Social Security Act and the balance thereof shall be paid into the treasury of the state or county substantially in the proportion in which they have respectively contributed toward the total assistance paid. *The amount due the respective participating units of government shall be determined by rule adopted by the commissioner of human services pursuant to a formula of reimbursement prescribed or authorized by the federal Social Security Administration.*

Sec. 8. Minnesota Statutes 1986, section 256.871, subdivision 6, is amended to read:

Subd. 6. [ESTIMATED EXPENDITURES; PAYMENTS.] The county

agency shall submit to the state agency an estimate of expenditures for each succeeding month in such form as required by the state agency. *For the period from January 1 to June 30, payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month, together with an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available, except as provided for in section 256.016. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.016. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.* Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Sec. 9. Minnesota Statutes 1986, section 256.935, subdivision 1, is amended to read:

Subdivision 1. On the death of any person receiving public assistance through aid to dependent children, the county agency shall pay an amount for funeral expenses not exceeding \$370 and actual cemetery charges. No funeral expenses shall be paid if the estate of the deceased is sufficient to pay such expenses or if the children, or spouse, who were legally responsible for the support of the deceased while living, are able to pay such expenses; provided, that the additional payment or donation of the cost of cemetery lot, interment, religious service, or for the transportation of the body into or out of the community in which the deceased resided, shall not limit payment by the county agency as herein authorized. Freedom of choice in the selection of a funeral director shall be granted to persons lawfully authorized to make arrangements for the burial of any such deceased recipient. In determining the sufficiency of such estate, due regard shall be had for the nature and marketability of the assets of the estate. The county agency may grant funeral expenses where the sale would cause undue loss to the estate. Any amount paid for funeral expenses shall be a prior claim against the estate, as provided in section 524.3-805, and any amount recovered shall be reimbursed to the agency which paid the expenses. *For the period from January 1 to June 30, the state shall reimburse the county for 50 percent of any payments made for funeral expenses except as provided for in section 256.016. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period. For the period from July 1 to December 31, the state shall reimburse the county for 100 percent of any payments made for funeral expenses except as provided for in section 256.016.*

Sec. 10. Minnesota Statutes 1986, section 256.991, is amended to read:

256.991 [RULES.]

The commissioner of human services may promulgate emergency and permanent rules as necessary to implement sections 256.01, subdivision

2; 256.82, subdivision 3; 256.966, subdivision 1; 256.968; 256D.03, subdivisions 3, 4, 6, and 7; and 261.23. The commissioner shall promulgate emergency and permanent rules to establish standards and criteria for deciding which medical assistance services require prior authorization and for deciding whether a second medical opinion is required for an elective surgery. The commissioner shall promulgate permanent and emergency rules as necessary to establish the methods and standards for determining inappropriate utilization of medical assistance services.

The commissioner of human services shall adopt emergency rules which meet the requirements of sections 14.29 to 14.36 for the medical assistance demonstration project. Notwithstanding the provisions of section 14.35, the emergency rules promulgated to implement section 256B.69 shall be effective for 360 days and may be continued in effect for an additional 900 days if the commissioner gives notice by publishing a notice in the state register and mailing notice to all persons registered with the commissioner to receive notice of rulemaking proceedings in connection with the project. The emergency rules shall not be effective beyond December 31, 1986, without meeting the requirements of sections 14.13 to 14.20.

Sec. 11. Minnesota Statutes 1986, section 256B.041, subdivision 5, is amended to read:

Subd. 5. [PAYMENT BY COUNTY TO STATE TREASURER.] If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state treasurer the portion of medical assistance paid by the state for which it is responsible. ~~The county's share of cost shall be ten percent of that portion not met by federal funds.~~ *Effective January 1, 1989, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.*

For the period from January 1 to June 30, the county shall advance its portion ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31 payments will be made by the state agency except as provided for in section 256.016 and the county agency will be advised of the amounts paid monthly.

Sec. 12. Minnesota Statutes 1986, section 256B.041, subdivision 7, is amended to read:

Subd. 7. Federal funds available for administrative purposes shall be distributed between the state and the county on the same basis that reimbursements are earned *except as provided for under section 256.016.*

Sec. 13. Minnesota Statutes 1986, section 256B.05, subdivision 1, is amended to read:

Subdivision 1. The county agencies shall administer medical assistance in their respective counties under the supervision of the state agency *and*

the commissioner of human services as specified in section 256.01, and shall make such reports, prepare such statistics, and keep such records and accounts in relation to medical assistance as the state agency may require.

Sec. 14. Minnesota Statutes 1987 Supplement, section 256B.091, subdivision 8, is amended to read:

Subd. 8. [ALTERNATIVE CARE GRANTS.] The commissioner shall provide grants to counties participating in the program to pay costs of providing alternative care to individuals screened under subdivision 4 and nursing home or boarding care home residents who request a screening. Prior to July of each year, the commissioner shall allocate state funds available for alternative care grants to each local agency. This allocation must be made as follows: half of the state funds available for alternative care grants must be allocated to each county according to the total number of adults in that county who are recipients age 65 or older who are reported to the department by March 1 of each state fiscal year and half of the state funds available for alternative care grants must be allocated to a county according to that county's number of Medicare enrollments age 65 or older for the most recent statistical report. Payment is available under this subdivision only for individuals (1) for whom the screening team would recommend nursing home or boarding care home admission, or continued stay if alternative care were not available; (2) who are receiving medical assistance or who would be eligible for medical assistance within 180 days of admission to a nursing home; (3) who need services that are not available at that time in the county through other public assistance; and (4) who are age 65 or older.

The commissioner shall establish by rule, in accordance with chapter 14, procedures for determining grant reallocations, limits on the rates for payment of approved services, including screenings, and submittal and approval of a biennial county plan for the administration of the preadmission screening and alternative care grants program. Grants may be used for payment of costs of providing care-related supplies, equipment, and services such as, but not limited to, foster care for elderly persons, day care whether or not offered through a nursing home, nutritional counseling, or medical social services, which services are provided by a licensed health care provider, a home health service eligible for reimbursement under Titles XVIII and XIX of the federal Social Security Act, or by persons employed by or contracted with by the county board or the local welfare agency. The county agency shall ensure that a plan of care is established for each individual in accordance with subdivision 3, clause (e)(2), and that a client's service needs and eligibility is reassessed at least every six months. The plan shall include any services prescribed by the individual's attending physician as necessary and follow up services as necessary. The county agency shall provide documentation to the commissioner verifying that the individual's alternative care is not available at that time through any other public assistance or service program and shall provide documentation in each individual's plan of care and to the commissioner that the most cost-effective alternatives available have been offered to the individual and that the individual was free to choose among available qualified providers, both public and private. The county agency shall document to the commissioner that the agency made reasonable efforts to inform potential providers of the anticipated need for services under the alternative care grants program, including a minimum of 14 days written advance notice of the opportunity to be selected as a service provider and an annual public meeting with

providers to explain and review the criteria for selection, and that the agency allowed potential providers an opportunity to be selected to contract with the county board. Grants to counties under this subdivision are subject to audit by the commissioner for fiscal and utilization control.

The county must select providers for contracts or agreements using the following criteria and other criteria established by the county:

- (1) the need for the particular services offered by the provider;
- (2) the population to be served, including the number of clients, the length of time services will be provided, and the medical condition of clients;
- (3) the geographic area to be served;
- (4) quality assurance methods, including appropriate licensure, certification, or standards, and supervision of employees when needed;
- (5) rates for each service and unit of service exclusive of county administrative costs;
- (6) evaluation of services previously delivered by the provider; and
- (7) contract or agreement conditions, including billing requirements, cancellation, and indemnification.

The county must evaluate its own agency services under the criteria established for other providers. The county shall provide a written statement of the reasons for not selecting providers.

The commissioner shall establish a sliding fee schedule for requiring payment for the cost of providing services under this subdivision to persons who are eligible for the services but who are not yet eligible for medical assistance. The sliding fee schedule is not subject to chapter 14 but the commissioner shall publish the schedule and any later changes in the State Register and allow a period of 20 working days from the publication date for interested persons to comment before adopting the sliding fee schedule in final forms.

The commissioner shall apply for a waiver for federal financial participation to expand the availability of services under this subdivision. The commissioner shall provide grants to counties from the nonfederal share, unless the commissioner obtains a federal waiver for medical assistance payments, of medical assistance appropriations. A county agency may use grant money to supplement but not supplant services available through other public assistance or service programs and shall not use grant money to establish new programs for which public money is available through sources other than grants provided under this subdivision. A county agency shall not use grant money to provide care under this subdivision to an individual if the anticipated cost of providing this care would exceed the average payment, as determined by the commissioner, for the level of care that the recipient would receive if placed in a nursing home or boarding care home. *For the period from January 1 to June 30 the nonfederal share may be used to pay up to 90 percent of the start-up and service delivery costs of providing care under this subdivision. Each county agency that receives a grant shall pay ten percent of the costs for persons who are eligible for the services but who are not yet eligible for medical assistance. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as*

provided for in section 256.016. For the period from July 1 to December 31 the nonfederal share may be used to pay up to 100 percent of the start-up and service delivery costs of providing care under this subdivision.

The commissioner shall promulgate emergency rules in accordance with sections 14.29 to 14.36, to establish required documentation and reporting of care delivered.

Sec. 15. Minnesota Statutes 1987 Supplement, section 256B.15, is amended to read:

256B.15 [CLAIMS AGAINST ESTATES.]

If a person receives any medical assistance hereunder, on the person's death, if single, or on the death of the survivor of a married couple, either or both of whom received medical assistance, and only when there is no surviving child who is under 21 or is blind or totally disabled, the total amount paid for medical assistance rendered for the person and spouse, after age 65, without interest, shall be filed as a claim against the estate of the person or the estate of the surviving spouse in the court having jurisdiction to probate the estate. A claim against the estate of a surviving spouse who did not receive medical assistance, for medical assistance rendered for the predeceased spouse, is limited to the value of the assets of the estate that were marital property or jointly-owned property at any time during the marriage. The claim shall be considered an expense of the last illness of the decedent for the purpose of section 524.3-805. Any statute of limitations that purports to limit any county agency or the state agency, or both, to recover for medical assistance granted hereunder shall not apply to any claim made hereunder for reimbursement for any medical assistance granted hereunder. Counties ~~may retain~~ *are entitled to* one-half of the nonfederal share of medical assistance collections from estates that are directly attributable to county effort.

Sec. 16. Minnesota Statutes 1987 Supplement, section 256B.19, subdivision 1, is amended to read:

Subdivision 1. [DIVISION OF COST.] The cost of medical assistance paid by each county of financial responsibility shall be borne as follows: *For the period from January 1 to June 30*, payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month. Ninety percent of the expense of assistance not paid by federal funds available for that purpose shall be paid by the state and ten percent shall be paid by the county of financial responsibility *except as provided for in section 256.016.*

For the period from January 1 to June 30, for counties that participate in a Medicaid demonstration project under sections 256B.69 and 256B.71, the division of the nonfederal share of medical assistance expenses for payments made to prepaid health plans or for payments made to health maintenance organizations in the form of prepaid capitation payments, this division of medical assistance expenses shall be 95 percent by the state and five percent by the county of financial responsibility. *Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016.*

For the period from July 1 to December 31, except as provided for in

section 256.016, payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month. The expense of assistance not paid by federal funds available for that purpose shall be paid by the state.

In counties where prepaid health plans are under contract to the commissioner to provide services to medical assistance recipients, the cost of court ordered treatment ordered without consulting the prepaid health plan that does not include diagnostic evaluation, recommendation, and referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 17. Minnesota Statutes 1986, section 256B.19, subdivision 2, is amended to read:

Subd. 2. Federal funds available for administrative purposes shall be distributed between the state and the county in the same proportion that expenditures were made *except as provided for in section 256.016.*

Sec. 18. Minnesota Statutes 1987 Supplement, section 256D.03, subdivision 2, is amended to read:

Subd. 2. *For the period from January 1 to June 30, state aid shall be paid to local agencies for 75 percent of all general assistance and work readiness grants up to the standards of sections 256D.01, subdivision 1a, and 256D.051, and according to procedures established by the commissioner, except as provided for under section 256.016. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.016.*

~~After December 31, 1980,~~ *For the period from July 1 to December 31, state aid shall be paid to local agencies for 75 100 percent of all general assistance and work readiness grants up to the standards of section sections 256D.01, subdivision 1a, and 256D.051, and according to procedures established by the commissioner, except as provided for under section 256.016 and except that, after December 31, 1987 1988, state aid is reduced to 65 percent of all general assistance grants if the local agency does not make occupational or vocational literacy training available and accessible to recipients who are eligible for assistance under section 256D.05, subdivision 1, paragraph (a), clause (15).*

After December 31, ~~1986~~ 1988, state aid must be paid to local agencies for 65 percent of work readiness assistance paid under section 256D.051 if the county does not have an approved and operating community investment program.

Any local agency may, from its own resources, make payments of general assistance: (a) at a standard higher than that established by the commissioner without reference to the standards of section 256D.01, subdivision 1; or, (b) to persons not meeting the eligibility standards set forth in section 256D.05, subdivision 1, but for whom the aid would further the purposes established in the general assistance program in accordance with rules promulgated by the commissioner pursuant to the administrative procedure act.

Sec. 19. Minnesota Statutes 1986, section 256D.03, subdivision 6, is

amended to read:

Subd. 6. [DIVISION OF COSTS.] The state shall pay ~~90~~ 100 percent of the cost of general assistance medical care paid ~~by the local agency or county~~ pursuant to this section, *in accordance with sections 256B.041, subdivision 5, and 256B.19, subdivision 1, except as provided for in section 256.016.* In counties where prepaid health plans are under contract to the commissioner to provide services to general assistance medical care recipients, the cost of court ordered treatment that does not include diagnostic evaluation, recommendation, or referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 20. Minnesota Statutes 1986, section 256D.04, is amended to read:

256D.04 [DUTIES OF THE COMMISSIONER.]

In addition to any other duties imposed by law, the commissioner shall:

(1) Supervise *according to section 256.01* the administration of general assistance and general assistance medical care by local agencies as provided in sections 256D.01 to 256D.21;

(2) Promulgate uniform rules consistent with law for carrying out and enforcing the provisions of sections 256D.01 to 256D.21 to the end that general assistance may be administered as uniformly as possible throughout the state; rules shall be furnished immediately to all local agencies and other interested persons; in promulgating rules, the provisions of sections 14.01 to 14.70, shall apply;

(3) Allocate moneys appropriated for general assistance and general assistance medical care to local agencies as provided in section 256D.03, subdivisions 2 and 3;

(4) Accept and supervise the disbursement of any funds that may be provided by the federal government or from other sources for use in this state for general assistance and general assistance medical care;

(5) Cooperate with other agencies including any agency of the United States or of another state in all matters concerning the powers and duties of the commissioner under sections 256D.01 to 256D.21;

(6) Cooperate to the fullest extent with other public agencies empowered by law to provide vocational training, rehabilitation, or similar services; and

(7) Gather and study current information and report at least annually to the governor and legislature on the nature and need for general assistance and general assistance medical care, the amounts expended under the supervision of each local agency, and the activities of each local agency and publish such reports for the information of the public.

Sec. 21. Minnesota Statutes 1986, section 256D.36, subdivision 1, is amended to read:

Subdivision 1. Commencing January 1, 1974, the commissioner shall certify to each local agency the names of all county residents who were eligible for and did receive aid during December, 1973 pursuant to a categorical aid program of old age assistance, aid to the blind, or aid to the disabled. ~~From and after January 1, 1980, until January 1, 1981, For the period from January 1 to June 30, the state shall pay 70~~ 85 percent and the county shall pay ~~30~~ 15 percent of the supplemental aid calculated for

each county resident certified under this section who is an applicant for or recipient of supplemental security income *except as provided for in section 256.016. After December 31, 1980, the state shall pay 85 percent and the county shall pay 15 percent of the aid. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.016. For the period from July 1 to December 31, the state agency shall pay 100 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income except as provided for in section 256.016.* The amount of supplemental aid for each individual eligible under this section shall be calculated pursuant to the formula prescribed in title II, section 212 (a) (3) of Public Law Number 93-66, as amended.

Sec. 22. Minnesota Statutes 1987 Supplement, section 256G.01, subdivision 3, is amended to read:

Subd. 3. [PROGRAM COVERAGE.] This chapter applies to all programs administered by the commissioner in which residence is the determining factor in establishing financial responsibility. These include, but are not limited to: *aid to families with dependent children; medical assistance; general assistance; general assistance medical care; Minnesota supplemental aid; commitment proceedings, including voluntary admissions; poor relief funded wholly through local agencies; and social services, including title XX, IV-E and other components of the community social services act, sections 256E.01 to 256E.12. It also applies to service responsibility in the income maintenance and health care programs administered by the commissioner.*

Sec. 23. Minnesota Statutes 1987 Supplement, section 256G.02, subdivision 4, is amended to read:

Subd. 4. [COUNTY OF FINANCIAL RESPONSIBILITY.] (a) "County of financial responsibility" has the meanings in paragraphs (b) to (h) (e).

(b) For an applicant who resides in the state and is not in a facility described in subdivision 5, it means the county in which the applicant resides at the time of application.

(c) For an applicant who resides in a facility described in subdivision 5, it means the county in which the applicant last resided in nonexcluded status immediately before entering the facility.

(d) For an applicant who has not resided in this state for any time other than the excluded time, it means the county in which the applicant resides at the time of making application.

(e) For medical assistance purposes only, and for an infant who has resided only in an excluded time facility, it means the county that would have been responsible for the infant if eligibility had been established, based on that of the birth mother, at the time of application.

(f) Notwithstanding paragraphs (b) to (d), the county of financial responsibility for medical assistance recipients is the county from which a recipient is receiving a maintenance grant or money payment under the program of aid to families with dependent children or Minnesota supplemental aid.

(g) Notwithstanding paragraphs (b) to (f), the county of financial responsibility for social services for a person receiving aid to families with dependent children, general assistance, general assistance medical care, medical

assistance, or Minnesota supplemental aid is the county from which that person is receiving the aid or assistance. If more than one named program is open concurrently, financial responsibility for social services attaches to the program that has the earliest date of application and has been open without interruption.

(h) (f) Notwithstanding paragraphs (b) to (g) (e), the county of financial responsibility for semi-independent living services provided under section 252.275, and Minnesota Rules, parts 9525.0500 to 9525.0660, is the county of residence in nonexcluded status immediately before the placement into or request for those services.

Sec. 24. Minnesota Statutes 1987 Supplement, section 256G.04, subdivision 1, is amended to read:

Subdivision 1. [TIME OF DETERMINATION.] For purposes of establishing financial responsibility, residence must be determined as of the date a local agency receives a signed request or signed application *or the date of eligibility, whichever is later*. This subdivision extends to cases in which the applicant may move to another county after the date of application but before the grant or service is actually approved.

Sec. 25. Minnesota Statutes 1987 Supplement, section 256G.05, is amended to read:

256G.05 [RESPONSIBILITY FOR EMERGENCIES.]

Subdivision 1. [RESIDENCE NOT A TEST.] In situations involving emergencies ~~verified by a local agency~~, financial responsibility for aid to families with dependent children, general assistance, and Minnesota supplemental aid rests with the county in which an otherwise eligible person is physically present when the application is filed. The county of residence is not obligated to reimburse. Financial responsibility is limited to 30 days unless otherwise specified in the context of the affected program.

Subd. 2. [NON-MINNESOTA RESIDENTS.]

State residence is not required for receiving emergency assistance in the general assistance and Minnesota supplemental aid programs only. The receipt of emergency assistance must not be used as a factor in determining county or state residence.

Sec. 26. Minnesota Statutes 1987 Supplement, section 256G.07, is amended to read:

256G.07 [MOVING TO ANOTHER COUNTY.]

Subdivision 1. [EFFECT OF MOVING.] *Except as provided in subdivision 4*, a person who has applied for and is receiving assistance services under a program governed by this chapter, in any county in this state, and who moves to another county in this state, is entitled to continue to receive that assistance from the county from which that person has moved until that person has resided in nonexcluded status for two full calendar months in the county to which that person has moved.

~~For purposes of general assistance and general assistance medical care, this time period is, however, one full calendar month.~~

Subd. 2. [TRANSFER OF RECORDS.] Before the person has resided in nonexcluded status for two calendar months, ~~or one calendar month in the case of general assistance or general assistance medical care~~, in the

county to which that person has moved, the local agency of the county from which the person has moved shall transfer all necessary records relating to that person to the local agency of the county to which the person has moved.

Subd. 3. [CONTINUATION OF CASE.] When the case is terminated for 30 days or less before the recipient reapplies, that case remains the financial responsibility of the county from which the recipient moved until the residence requirement in subdivision 1 is met.

Subd. 4. [MULTIPLE FINANCIAL RESPONSIBILITY.] ~~When more than one county becomes financially responsible for a case involving a single assistance unit, under a program covered by this chapter, that case must be immediately reconsidered by the affected local agencies. Beginning with the first day of the calendar month after that reconsideration, financial responsibility for the entire assistance unit belongs to the county that was initially responsible for the program with the earliest date of application.~~

Subd. 5. [SOCIAL SERVICE PROVISION.] The types and level of social services to be provided in any case governed by this chapter are those otherwise provided in the county in which the person is physically residing at the time those services are provided.

Sec. 27. Minnesota Statutes 1987 Supplement, section 256G.10, is amended to read:

256G.10 [DERIVATIVE SETTLEMENT ELIMINATED.]

~~Except as described in section 256G.02, subdivision 4, paragraph (d),~~ Residence under this chapter must be determined independently for each applicant. The residence of the parent or guardian does not determine the residence of the child or ward. Physical or legal custody has no bearing on residence determinations. This section does not, however, apply to situations involving another state or limit the application of an interstate compact.

Sec. 28. Minnesota Statutes 1987 Supplement, section 256G.11, is amended to read:

256G.11 [NO RETROACTIVE EFFECT.]

This chapter is ~~not retroactive and~~ does not require *the retroactive* redetermination of financial responsibility for cases existing on January 1, 1988. This chapter applies only to applications and redeterminations of eligibility taken or routinely made after January 1, 1988.

~~Notwithstanding this section, however, existing social service cases tie to cases for those programs outlined in section 256G.02, subdivision 4, paragraph (g), for which an application is taken or a redetermination is made after January 1, 1988.~~

Sec. 29. [256.018] [RECOVERY OF MONEY; APPORTIONMENT.]

When an amount is recovered from any source for assistance given under the provisions governing public assistance programs including aid to families with dependent children, emergency assistance, general assistance, work readiness, and Minnesota supplemental aid, there shall be paid to the United States the amount due under the terms of the Social Security Act and the balance must be paid into the treasury of the state or county in accordance with current rates of financial participation; except if the

recovery is directly attributable to county effort, the county may keep one-half of the nonfederal share of the recovery. This does not apply to recoveries from medical providers or to recoveries begun by the department of human services' surveillance and utilization review division, state hospital collections unit, and the benefit recoveries division or, by the attorney general's office, or child support collections.

Sec. 30. Minnesota Statutes 1986, section 393.07, subdivision 2, is amended to read:

Subd. 2. [ADMINISTRATION OF PUBLIC WELFARE.] The county welfare board, subject to the supervision of the commissioner of human services, shall administer all forms of public welfare, both for children and adults, responsibility for which now or hereafter may be imposed on the commissioner of human services by law, including general assistance, aid to dependent children, county supplementation, if any, or state aid to recipients of supplemental security income for aged, blind and disabled, child welfare services, mental health services, and other public assistance or public welfare services, provided that the county welfare board shall not employ public health nursing or home health service personnel other than homemaker-home help aides, but shall contract for or purchase the necessary services from existing community agencies. The duties of the county welfare board shall be performed in accordance with the standards and rules which may be promulgated by the commissioner of human services to achieve the purposes intended by law and in order to comply with the requirements of the federal Social Security Act in respect to public assistance and child welfare services, so that the state may qualify for grants-in-aid available under that act. *To avoid administrative penalties under section 256.016, the county welfare board must comply with (1) policies established by state law and (2) instructions from the commissioner relating (i) to public assistance program policies consistent with federal law and regulation and state law and rule and (ii) to local agency program operations. The commissioner may enforce county welfare board compliance with the instructions, and may delay, withhold, or deny payment of all or part of the state and federal share of benefits and federal administrative reimbursement, according to the provisions under section 256.016.* The county welfare board shall supervise wards of the commissioner and, when so designated, act as agent of the commissioner of human services in the placement of the commissioner's wards in adoptive homes or in other foster care facilities. The county welfare board may contract with a bank or other financial institution to provide services associated with the processing of public assistance checks and pay a service fee for these services, provided the fee charged does not exceed the fee charged to other customers of the institution for similar services.

Sec. 31. Minnesota Statutes 1987 Supplement, section 393.07, subdivision 10, is amended to read:

Subd. 10. [FEDERAL FOOD STAMP PROGRAM.] (a) The county welfare board shall establish and administer the food stamp program pursuant to rules of the commissioner of human services, *the supervision of the commissioner as specified in section 256.01, and all federal laws and regulations.* The commissioner of human services shall monitor food stamp program delivery on an ongoing basis to ensure that each county complies with federal laws and regulations. Program requirements to be monitored include, but are not limited to, number of applications, number of approvals,

number of cases pending, length of time required to process each application and deliver benefits, number of applicants eligible for expedited issuance, length of time required to process and deliver expedited issuance, number of terminations and reasons for terminations, client profiles by age, household composition and income level and sources, and the use of phone certification and home visits. The commissioner shall determine the county-by-county and statewide participation rate. The commissioner shall report on the monitoring activities on a county-by-county basis in a report presented to the legislature by July 1 each year. This monitoring activity shall be separate from the management evaluation survey sample required under federal regulations.

(b) On July 1 of each year, the commissioner of human services shall determine a statewide and county-by-county food stamp program participation rate. The commissioner may designate a different agency to administer the food stamp program in a county if the agency administering the program fails to increase the food stamp program participation rate among families or eligible individuals, or comply with all federal laws and regulations governing the food stamp program. The commissioner shall review agency performance annually to determine compliance with this paragraph.

~~(c) The county welfare board shall participate in a food stamp quality control system subject to the supervision of the commissioner of human services and pursuant to federal regulations.~~

A person who commits any of the following acts has violated section 256.98 and is subject to both the criminal and civil penalties provided under that section:

(1) Obtains or attempts to obtain, or aids or abets any person to obtain by means of a willfully false statement or representation, or intentional concealment of a material fact, food stamps to which the person is not entitled or in an amount greater than that to which that person is entitled; or

(2) Presents or causes to be presented, coupons for payment or redemption knowing them to have been received, transferred or used in a manner contrary to existing state or federal law; or

(3) Willfully uses or transfers food stamp coupons or authorization to purchase cards in any manner contrary to existing state or federal law.

Sec. 32. [TRANSFER OF COUNTY FOOD STAMP QUALITY CONTROL SYSTEM EMPLOYEES.]

(a) All positions covered by the Minnesota merit system located in Crow Wing county family social service center and in the Redwood county welfare department classified as food stamp corrective action specialist I and II and as financial assistant supervisor I, if the positions supervise food stamp corrective action specialists, are transferred to the department of human services and become state civil service positions.

(b) All incumbent employees affected by this transfer, who choose to transfer to state civil service positions in the department of human services, must be transferred with no reduction in salary. Salaries of individual employees who transfer must be adjusted to the minimum salary or to the nearest equal or higher step on the state compensation plan for their class, whichever is greater.

(c) Existing sick leave and vacation accruals for an employee who transfers must be transferred to the department of human services and the employee shall accrue additional vacation and sick leave under the provisions of the appropriate state collective bargaining agreement based on the employee's years of service in either Crow Wing county family service center or in the Redwood county welfare department.

(d) If an employee who transfers chooses to retain the county coverage for employee and dependent health, dental, and life insurance, the department of human services shall reimburse the employee for one month of continued enrollment in the health, dental, and life insurance plans in an amount equal to what their former county employer would have paid for the coverage had the employee remained a county employee, until the employee is eligible for coverage under the state insurance plans.

(e) Classification seniority for an employee who transfers must be calculated according to the provisions of the appropriate state collective bargaining agreement based upon the employee's years of service in the county merit system.

Sec. 33. [REPEALER.]

Minnesota Statutes 1986, section 256.965; and Minnesota Statutes 1987 Supplement, section 256D.22, are repealed.

Sec. 34. [HUMAN SERVICES; APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or any other fund named, to the commissioner of human services for the purposes specified in this article, to be available for the fiscal years indicated for each purpose. The figure "1989" where used in this section, means that the appropriation listed under it is available for the year ending June 30, 1989.

SUMMARY BY FUND

	1989
General	
Incentive Fund	\$990,000
Appeals and Contracts	5,500
Financial Management	39,000
Assistance Payments	511,000
Food Stamp Quality Control	110,000
Administrative Aid	(1,150,000)
Revenue:	
General Fund	
Nondedicated Receipts	\$223,000
Positions:	
General Fund	
Appeals and Contracts	1
Financial Management	2
Assistance Payments	22
Food Stamp Quality Control	25
Subdivision 1. [APPROPRIATION BY FUND.]	

be added to the tax and collected as a part thereof.

Sec. 2. Minnesota Statutes 1986, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing or archery or firearms range recreational use or uses and other recreational uses carried on at the establishment;

(b) five acres in size or more, except in the case of an archery or firearms range;

(c)(1) operated by private individuals and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more, provided that the club does not discriminate in membership requirements or selection on the basis of sex; and

(d) made available, in the case of real estate devoted to golf, for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 3. Minnesota Statutes 1986, section 273.112, subdivision 6, is amended to read:

Subd. 6. Application for deferment of taxes and assessment under this section shall be made at least 60 days prior to January 2 of each year. Such application shall be filed with the assessor of the taxing district in which the real property is located on such form as may be prescribed by the commissioner of revenue. The assessor may require proof by affidavit or other written verification that the property qualifies under subdivision 3. In the case of property operated by private clubs pursuant to subdivision 3, clause (c)(3), in order to qualify for valuation and tax deferment under this section, the taxpayer must submit to the assessor proof by affidavit or other written verification that the bylaws or rules and regulations of the club meet the eligibility requirements provided under this section. The

signed affidavit or other written verification shall be sufficient demonstration of eligibility for the assessor unless the county attorney determines otherwise.

The county assessor shall refer any question regarding the eligibility for valuation and deferment under this section to the county attorney for advice and opinion under section 388.051, subdivision 1. Upon request of the county attorney, the taxpayer shall furnish information that the county attorney considers necessary in order to determine eligibility under this section.

Real estate is not entitled to valuation and deferment under this section unless the county assessor has filed with the assessor's tax records prior to October 16 a statement that the application has been accepted.

Sec. 4. Minnesota Statutes 1987 Supplement, section 273.1195, is amended to read:

273.1195 [STATE PAID SMALL BUSINESS PROPERTY TAX TRANSITION CREDIT.]

For property taxes payable in 1988 only, class 3a commercial industrial property is eligible for a state paid small business transition property tax credit if the payable 1988 property taxes on the first \$120,000 of market value of the property exceed three percent of the January 2, 1987, market value. The credit is equal to 50 percent of the property tax amount which is in excess of three percent of market value. Only the first \$120,000 of market value of a qualifying parcel and the taxes attributable to the first \$120,000 of market value are eligible for the computation of this credit. Only a parcel that qualifies for the 28 percent assessment ratio contained in section 273.13, subdivision 24, paragraph (a), qualifies for the credit provided in this section. *Only the market value and property tax attributable to the part of the parcel that is class 3a must be used in computing the credit provided in this section.*

In the case of taxes paid in installments pursuant to section 279.01, subdivision 1, the credit under this section must be deducted from the second one-half installment payable October 15. The amount of the reduction must be reported to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29.

There is annually appropriated from the general fund to the commissioners of revenue and education the amount necessary to replace the revenue lost to local units of government and school districts as a result of the reduction in property taxes provided in this section. The payment amounts must be determined and the installments paid under the provisions of sections 273.13, subdivision 15a, and 273.1392.

Sec. 5. Minnesota Statutes 1986, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. *In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is*

~~a resident of a nursing home or a boarding care facility.~~ The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 6. Minnesota Statutes 1986, section 273.124, subdivision 1, is amended to read:

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

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

For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor must not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation or is a resident of a nursing home or a boarding care facility.

If an individual is purchasing property with the intent of claiming it as a homestead, and is required by the terms of the financing agreement to have one or both parents shown on the deed as coowners, the assessor shall allow a full homestead classification and extend full homestead credit. The application for homestead benefits must be on a form prescribed by

the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 7. Minnesota Statutes 1986, 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 *by the cooperative association on behalf of the members of the cooperative* for each dwelling unit occupied by a member of the cooperative. *The cooperative association must provide the assessor with the social security numbers of those members.* To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (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 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 8. Minnesota Statutes 1987 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 subdivision 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 subdivision 23 in the auditor's 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. The commissioner may make such changes in the certification as are deemed 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 20 and December 15 of each year.

Sec. 9. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The first \$66,000 of market value of an agricultural homestead is valued at 30 percent. The remaining value of class 2a property is assessed at 40 percent of market value.

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

The tax to be paid on class 2a property, less any reduction received pursuant to sections 273.123 and 473H.10 shall be reduced by 52 percent of the tax. The amount of the reduction shall not exceed \$700.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property is assessed at 40 percent of market value.

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

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

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

Sec. 10. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property

used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property is assessed at 70 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads;

(2) post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing;

(3) manufactured homes not classified under any other provision; and

(4) a dwelling, garage, and surrounding one acre of property on a non-homestead farm classified under subdivision 23, paragraph (b).

Class 4b property is assessed at 60 percent for taxes levied in 1988, payable in 1989 and thereafter.

(c) Class 4c property includes:

(1) a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

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

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter.

For all properties described in clauses (1) and (2) and in paragraph (d), clause (2), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(3) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a

lower income 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 clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(4) except as provided in paragraph (d), clause (1), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property also includes the remainder of class 4d resorts; and

(5) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1986. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property is assessed at 50 percent.

(d) Class 4d property includes:

(1) commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. The area of the property that is classified as class 4d must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore;

(2) any structure:

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

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property must be assessed under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The 30 percent and 50 percent assessment ratios apply to the properties described in paragraph (c), clauses (1) and (2) and this clause, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity; and

(3) the first \$34,000 of market value of real estate or manufactured homes used for the purposes of a homestead by

(i) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

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

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

(B) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

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

(iii) any person who:

(A) is permanently and totally disabled and

- (B) receives 90 percent or more of total income from
- (1) aid from any state as a result of that disability; or
 - (2) supplemental security income for the disabled; or
 - (3) workers' compensation based on a finding of total and permanent disability; or
 - (4) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or
 - (5) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or
 - (6) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.

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

The remaining value of class 4(d)(3) property in excess of \$34,000 shall be valued and assessed under subdivision 22 or 23, as appropriate, provided that only the value in excess of \$34,000 but not in excess of \$68,000 is assessed at the rate provided for the first tier of value in subdivision 22 or only the value in excess of \$34,000 but not in excess of \$66,000 is assessed at the rate provided for the first tier of value in subdivision 23.

Class 4d property is assessed at 30 percent of market value.

Sec. 11. Minnesota Statutes 1987 Supplement, section 273.1397, subdivision 2, is amended to read:

Subd. 2. [AID TO COUNTY.] A county whose preliminary aid amount is greater than zero shall receive a payment equal to the lesser of (1) the preliminary aid amount, or (2) 95 percent of the unreimbursed local share. The commissioner of revenue shall annually determine the amounts pursuant to this section and shall notify the county of the resulting income maintenance tax disparity aid amount. The commissioner of revenue shall pay to each affected county treasurer the county's total payment for the year in equal installments on or before July 15 20 and December 15 of each year.

Sec. 12. Minnesota Statutes 1986, section 273.40, is amended to read:

273.40 [ANNUAL TAX ON COOPERATIVE ASSOCIATIONS.]

Cooperative associations organized under the provisions of Laws 1923, chapter 326, and laws amendatory thereof and laws supplemental thereto, and engaged in electrical heat, light or power business upon a mutual, nonprofit, and cooperative plan in rural areas, as hereinafter defined, are hereby recognized as quasi-public in their nature and purposes; but such cooperative associations, which operate within the corporate limits of any city shall be assessed on the basis of 43 percent *have a tax capacity of 5.3 percent* of the market value of that portion of its property located within the corporate limits of any city as provided for in section 273.13, *subdivision 31.*

Sec. 13. Minnesota Statutes 1987 Supplement, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities ~~and~~, towns, ~~and school districts~~ shall be certified by the proper authorities to the county auditor on or before October 10 in each year. ~~The taxes of a school district must be certified to the commissioner of education by October 10 in each year.~~ If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue, ~~or the commissioner of education in the case of a school district,~~ before October 10 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension. For 1988 only, the commissioner may extend the certification time to November 7 if the requirements of this subdivision are met.

Sec. 14. Minnesota Statutes 1986, section 277.05, is amended to read:

277.05 [SHERIFF TO FILE LIST OF UNCOLLECTED TAXES.]

If the sheriff is unable, for want of goods and chattels whereon to levy, to collect by a distress, or otherwise, the taxes, or any part thereof, assessed upon the personal property of any persons, the sheriff shall file with the court administrator of the district court, on September first following, a list of such taxes, with an affidavit of the sheriff, or of the deputy sheriff entrusted with the collection thereof, stating that the affiant has made diligent search and inquiry for goods and chattels from which to collect such taxes, and is unable to collect the same. *The list of such taxes as they apply to manufactured homes shall be filed on December 1.* The sheriff shall note on the margin of such list the place to which any delinquent taxpayer may have removed, with the date of removal, if known. At the time of filing the list the sheriff shall also return all the warrants with endorsements thereon showing the doings of the sheriff or deputy in the premises, and the court administrator shall file and preserve the same. On or before September tenth thereafter, the court administrator shall deliver such list and affidavit to the county treasurer, who shall, by comparison of such list with the tax duplicates in the treasurer's office, ascertain whether or not all personal property taxes reported by the treasurer to the court administrator as delinquent, except those included in such list, have been paid into the treasurer's office, and shall attach to the list a certificate stating whether or not all taxes reported by the treasurer to the court administrator as delinquent and not included in the list have been received, and stating the items of such taxes, if any, as have been received. *The court administrator shall deliver such list and affidavit as they apply to manufactured homes on or before December 10.* The treasurer shall deliver such list and affidavit, with the certificate attached, to the county board at its first session thereafter, which shall cancel such taxes as it is satisfied cannot be collected. A copy of the tax list so revised, and also a separate list of the taxes so canceled, shall be included in the records of the proceedings of the board, and published in full, as a part of the proceedings.

Sec. 15. Minnesota Statutes 1986, section 277.06, is amended to read:

277.06 [CITATION TO DELINQUENTS; DEFAULT JUDGMENT.]

On October 20, or within ten days after the adjournment of the county board, whichever occurs first, the county auditor shall file a copy of such revised list with the court administrator of the district court; ~~and. The county auditor shall file a copy of the revised list as it applies to manufactured homes on January 20.~~ Within ten days ~~thereafter~~ after the list has been filed, the court administrator shall issue a citation to each delinquent named in the list, stating the amount of tax and penalty, and requiring such delinquent to appear on a day to be set by the district court in the county, appointed to be held at a time not less than 30 days after the issuance of such citation, and show cause, if any there be, why the delinquent should not pay the tax and penalty. The citation shall be delivered for service to the sheriff of the county where such person may at the time reside or be. If such person, after service of the citation, fails to pay such tax, penalty, and costs to the sheriff before the first day of the term, or on such day to show cause as aforesaid, the court shall direct judgment against the person for the amount of such tax, penalty, and costs. When unable to serve the citation, the sheriff shall return the same to the court administrator, with a return thereto to that effect, and thereupon, or if the court decides that the service of such citation made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation, requiring such delinquent to appear on the first day of the next general term to be held in the county, and show cause as aforesaid, and if the delinquent fails to pay or to show cause, the court shall direct judgment as aforesaid. Whenever the sheriff has been unable to serve any such citation theretofore issued in any year or years, or whenever the court decides that the service of any such citation theretofore made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation requiring such delinquent to appear, as in the case last provided, and with like effect; provided, that all citations other than the first shall be issued only on the request of the county attorney.

Sec. 16. Minnesota Statutes 1987 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 4d or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the ~~16th~~ first day of each month, up to and including October ~~16~~ 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not

so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the ~~16th day of each month up to and including December 16~~ *first day of November and December* following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the ~~16th day of each month up to and including December 16~~ *first day of November and December* following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 17. Minnesota Statutes 1986, section 279.01, subdivision 3, is amended to read:

Subd. 3. In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2c agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 16 / following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2c 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 1b agricultural homestead, class 2a, or class 2c agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, class 2a, or class 2c agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class 2c agricultural.

Sec. 18. Minnesota Statutes 1986, section 375.192, subdivision 1, is amended to read:

Subdivision 1. Notwithstanding section 270.07, upon written application by the owner of the property, the county board may grant a reduction, for the current year, of the assessed valuation of any real property in that

county which erroneously has been classified, for tax purposes, as non-homestead property, as is necessary to give it the assessed valuation which it would have received if it had been classified correctly. The application shall be made on a form prescribed by the commissioner of revenue. It shall include the social security number of the applicant and a statement of facts of ownership and occupancy. *The social security number of the property owner is private data on individuals as defined by section 13.02, subdivision 12.* It shall be sworn to by the owner of the property before an officer authorized to take acknowledgments. Before it is acted upon by the county board, the application shall be referred to the county assessor, or if the property is located in a city of the first class having a city assessor, to the city assessor, who shall investigate the facts and attach a report of the investigation to the application.

With respect to abatements relating to the current year's tax processed through June 30, the county auditor shall notify the commissioner of revenue on or before July 31 of that same year of all applications granted pursuant to this subdivision. With respect to abatements relating to the current year's tax processed after June 30 through the balance of the year, the county auditor shall notify the commissioner of revenue on or before the following January 31 of all applications granted pursuant to this subdivision. The form submitted by the county auditor shall be prescribed by the commissioner of revenue and shall contain the information which the commissioner deems necessary.

Sec. 19. Minnesota Statutes 1986, 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 two installments on July 15 and December 15 annually.

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.

Sec. 20. [ADJUSTMENT FOR CREDITS.]

A county auditor may make a final certification of prior year adjustments not previously claimed for wetlands credit and reimbursement, native prairie credit and reimbursement, small business credit, and the residential homestead credit and the agricultural school credit in the 1989 abstract of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy and make changes as are deemed necessary. After they have been reviewed, the commissioner shall include these prior year adjustments in the 1989 aid payments.

Sec. 21. Laws 1987, chapter 268, article 6, section 54, is amended to read:

Sec. 54. [EFFECTIVE DATE.]

Except where provided otherwise, sections 1 to 13, and 15 to 53 are effective for taxes levied in 1988, payable in 1989, and thereafter. *Section 14 is effective for taxes payable in 1987 and thereafter.*

Sec. 22. [EFFECTIVE DATE.]

Sections 9, 12, and 13 are effective for taxes levied in 1988, payable

in 1989, and thereafter.

Sections 2, 3, and 21 are effective the day after final enactment.

ARTICLE 8 ASSESSORS

Section 1. Minnesota Statutes 1986, section 270.41, is amended to read:
270.41 [BOARD OF ASSESSORS.]

(a) A board of assessors is hereby created. The board shall be for the purpose of establishing, conducting, reviewing, supervising, coordinating or approving courses in assessment practices, and establishing criteria for determining assessor's qualifications. The board shall also have authority and responsibility to consider other matters relating to assessment administration brought before it by the commissioner of revenue. *The board may grant, renew, suspend, or revoke an assessor's license.* The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein.

1. Two from the department of revenue,
2. Two county assessors,
3. Two assessors who are not county assessors, one of whom shall be a township assessor, and
4. One from the private appraisal field holding a professional appraisal designation,
5. Two public members as defined by section 214.02.

The appointment provided in 2 and 3 may be made from two lists of not less than three names each, one submitted to the commissioner of revenue by the Minnesota association of assessing officers or its successor organization containing recommendations for the appointment of appointees described in 2, and one by the Minnesota association of assessors, inc. or its successor organization containing recommendations for the appointees described in 3. The lists must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner by the respective organization immediately. A member of the board who shall no longer be engaged in the capacity listed above shall automatically be disqualified from membership in the board.

The board shall annually elect a chair and a secretary of the board.

(b) *The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:*

- (1) *failure to complete required training;*
- (2) *inefficiency or neglect of duty;*
- (3) *"unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or listing property on the tax list at less than a specified targeted range of market value;*
- (4) *conviction of a crime involving moral turpitude; or*

(5) *any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.*

(c) *The board of assessors may adopt rules under chapter 14, defining or interpreting grounds for refusing to grant or renew, and for suspending or revoking a license under this section. An action of the board of assessors in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.*

Sec. 2. Minnesota Statutes 1987 Supplement, section 270.485, is amended to read:

270.485 [SENIOR ACCREDITATION.]

The legislature finds that the property tax system would be enhanced by requiring that every county assessor and senior appraiser in the department of revenue's ~~property tax review~~ *local government services* division obtain senior accreditation from the state board of assessors. By January 1, 1989, every ~~county assessor and~~ senior appraiser, including the department's regional representatives, must obtain senior accreditation from the state board of assessors. *By June 30, 1990, or within one year of the first appointment under section 273.061, whichever is later, every county assessor must obtain senior accreditation from the state board of assessors.* The board shall provide the necessary courses or training. If a department senior appraiser or regional representative fails to obtain senior accreditation by January 1, 1989, the failure shall be grounds for dismissal, disciplinary action, or corrective action. *Except as provided in section 273.061, subdivision 2, paragraph (c),* after December 30, 1988, the commissioner must not approve the appointment of a county assessor who is not senior accredited by the state board of assessors. No employee hired by the commissioner as a senior appraiser or regional representative after June 30, 1987, shall attain permanent status until the employee obtains senior accreditation.

Sec. 3. Minnesota Statutes 1986, section 273.05, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT OF TOWN AND CITY ASSESSORS.] Notwithstanding any other provision of law all town assessors shall be appointed by the town board, and notwithstanding any charter provisions to the contrary, all city assessors shall be appointed by the city council or other appointing authority as provided by law or charter. Such assessors shall be residents of the state but need not be a resident of the town or city for which they are appointed. They shall be selected and appointed because of their knowledge and training in the field of property taxation. All town and statutory city assessors shall be appointed for indefinite terms. *The term of the town or city assessors may be terminated at any time by the town board or city council on charges by the commissioner of revenue of inefficiency or neglect of duty.* Vacancies in the office of town or city assessor shall be filled within 90 days by appointment of the respective appointing authority indicated above. If the vacancy is not filled within 90 days, the office shall be terminated. When a vacancy in the office of town or city assessor is not filled by appointment, and it is imperative that the office of assessor be filled, the county auditor shall appoint some resident of the county as assessor for such town or city. The county auditor may appoint the county assessor as assessor for such town or city, in which case the town or city shall pay to the county treasurer the amount determined by the county auditor to be due for the services performed and expenses

incurred by the county assessor in acting as assessor for such town or city. The term of any town or statutory city assessor in a county electing in accordance with section 273.052 shall be terminated as provided in section 273.055.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

Sec. 4. Minnesota Statutes 1987 Supplement, section 273.061, subdivision 1, is amended to read:

Subdivision 1. [OFFICE CREATED; APPOINTMENT, QUALIFICATIONS.] Every county in this state shall have a county assessor. The county assessor shall be appointed by the board of county commissioners and shall be a resident of this state. The assessor shall be selected and appointed because of knowledge and training in the field of property taxation and appointment shall be approved by the commissioner of revenue before the same shall become effective. Upon receipt by the county commissioners of the commissioner of revenue's refusal to approve an appointment, the term of the appointee shall terminate at the end of that day. Notwithstanding any law to the contrary, a county assessor must have senior accreditation from the state board of assessors by ~~January 1, 1989~~ June 30, 1990, or within one year of the assessor's first appointment under this section, whichever is later.

Sec. 5. Minnesota Statutes 1986, section 273.061, subdivision 2, is amended to read:

Subd. 2. [TERM; VACANCY.] (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 30 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdivision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of inefficiency or neglect of duty by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state board of assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 30 days during which the county board must appoint a county assessor. Such 30-day period may, however, be extended by written approval of the commissioner of revenue.

(c) *In the case of the first appointment under paragraph (a) of a county*

assessor who does not have senior accreditation, an approval of the appointment by the commissioner shall be for a term of one year. A county assessor appointed to a one-year term under this paragraph must reapply to the commissioner at the end of the one-year term. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

Sec. 6. Minnesota Statutes 1987 Supplement, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. *No changes in valuation may be made by the county assessor after the board of review or the county board of equalization has adjourned.*

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved

by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

ARTICLE 9

PARK TRAILERS

Section 1. Minnesota Statutes 1986, section 168.011, subdivision 4, is amended to read:

Subd. 4. [MOTOR VEHICLE.] "Motor vehicle" means any self-propelled vehicle not operated exclusively upon railroad tracks and any vehicle propelled or drawn by a self-propelled vehicle and includes vehicles known as trackless trolleys which are propelled by electric power obtained from overhead trolley wires but not operated upon rails, except snowmobiles and, manufactured homes, and park trailers. After July 31, 1985, motor vehicle does not include a three-wheel off-road vehicle as defined in section 84.92, subdivision 8; except that if the three-wheel off-road vehicle was licensed as a motor vehicle before August 1, 1985, the owner may continue to license it as a motor vehicle until it is conveyed or otherwise transferred to another owner, is destroyed, or fails to comply with the registration and licensing requirements of this chapter.

Sec. 2. Minnesota Statutes 1986, section 168.011, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOME AND; HOUSE TRAILER; PARK TRAILER.] (a) "Manufactured home" means any trailer or semitrailer which is designed, constructed, and equipped for use as a human dwelling place, living abode, or living quarters except house trailers has the meaning given in section 327.31, subdivision 6.

(b) "House trailer" means any trailer or semitrailer which is not more than eight feet in width and not more than 35 45 feet in length and which is designed, constructed, and equipped for use as a human dwelling place, living abode, or living quarters.

(c) "Park trailer" means a trailer or manufactured home that:

(1) exceeds eight feet in width but is no larger than 400 square feet when the collapsible components are fully extended, or at maximum horizontal width;

(2) is built on a single chassis, self-propelled or permanently towable

and requires a special permit under section 169.86 in order to move the trailer; and

(3) is used as a temporary living abode or living quarters.

Sec. 3. Minnesota Statutes 1986, section 168.012, subdivision 9, is amended to read:

Subd. 9. Manufactured homes shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 274.19, manufactured homes shall be taxed as personal property. The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes, except such manufactured homes as are held by a licensed dealer and exempted as inventory. House trailers not ~~used on the highway~~ *conspicuously displaying current registration plates* during any calendar year shall be taxed as manufactured homes if occupied as human dwelling places. *A park trailer that does not conspicuously display a current registration receipt as provided in section 7 shall be taxed as personal property.*

Sec. 4. Minnesota Statutes 1986, section 168.013, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] Motor vehicles, except as set forth in section 168.012, using the public streets or highways in the state, *and park trailers*, shall be taxed in lieu of all other taxes thereon, except wheelage taxes, so-called, which may be imposed by any city as provided by law, and except gross earnings taxes paid by companies subject or made subject thereto, and shall be privileged to use the public streets and highways, on the basis and at the rate for each calendar year as hereinafter provided.

Sec. 5. Minnesota Statutes 1986, section 168.013, is amended by adding a subdivision to read:

Subd. 1j. [PARK TRAILERS.] Park trailers shall be taxed annually on the basis of total gross weight at 30 percent of the Minnesota base rate prescribed in subdivision 1e, but in no event less than \$5.

Sec. 6. Minnesota Statutes 1986, section 168.053, subdivision 2, is amended to read:

Subd. 2. Notwithstanding any provisions of subdivision 1 inconsistent herewith the provisions of sections 168.053 to 168.057 shall also apply to the delivery of new house trailers, *park trailers*, manufactured homes, sectional buildings, and semitrailers by towing methods whether or not the power unit is a part of the combination being delivered.

Sec. 7. [168.093] [REGISTRATION OF PARK TRAILERS.]

The motor vehicle registrar shall issue registration receipts for park trailers upon payment of annual registration taxes but shall not issue license plates or other insignia. The receipts must be in a form prescribed by the commissioner and must provide the name and address of the owner, the dimensions of the park trailer, and other information required by the registrar.

Sec. 8. Minnesota Statutes 1986, section 168.27, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the

following terms have the meanings given them:

(1) "Leasing motor vehicles" means furnishing a motor vehicle for a fee under a bailor-bailee relationship where no incidences of ownership are intended to be transferred other than the right to use the vehicle for a stated period of time.

(2) "Brokering motor vehicles" means arranging sales between willing buyers and sellers of motor vehicles and receiving a fee for said service.

(3) "Wholesaling motor vehicles" means selling new or used motor vehicles to dealers for resale to the public.

(4) "Auctioning motor vehicles" means arranging for and handling the sale of motor vehicles, not the property of the auctioneer, to the highest bidder.

(5) "Dealer" includes new motor vehicle dealers, used motor vehicle dealers, brokers, wholesalers, auctioneers and lessors of new or used motor vehicles.

(6) "Commercial building" means a building adapted to commercial use and located in an area zoned for commercial or other less restrictive non-residential use by the governmental unit in which it is located.

(7) "Horse trailer" is a trailer designed and used to carry horses and other livestock, which has not more than three axles and a maximum gross weight capacity of not more than 24,000 pounds.

(8) "*Motor vehicle*" has the meaning given it in section 168.011, subdivision 4, and also includes a park trailer as defined in section 168.011, subdivision 8.

Sec. 9. Minnesota Statutes 1986, section 297B.01, subdivision 5, is amended to read:

Subd. 5. "Motor vehicle" means any self-propelled vehicle not operated exclusively upon railroad tracks and any vehicle propelled or drawn by a self-propelled vehicle and includes vehicles known as trackless trolleys which are propelled by electric power obtained from overhead trolley wires but not operated upon rails, except snowmobiles, for which registration is required by chapter 168, but not including house trailers or manufactured homes. *For purposes of taxation only under this section, "motor vehicle" includes park trailers defined in section 168.011, subdivision 8, paragraph (c).*

ARTICLE 10

PULL-TAB TAX

Section 1. Minnesota Statutes 1986, section 349.12, subdivision 18, is amended to read:

Subd. 18. [DEAL.] "Deal" means each separate package, or series of packages, consisting of one game of pull-tabs or tipboards with the same serial number ~~purchased from a distributor~~.

Sec. 2. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 19. [IDEAL GROSS.] "*Ideal gross*" means the total amount of receipts that would be received if every individual ticket in the pull-tab or tipboard deal were sold at its face value.

Sec. 3. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 20. [IDEAL NET.] "Ideal net" means the pull-tab or tipboard deal's ideal gross, as defined under subdivision 19, less the total predetermined prize amounts available to be paid out. When the prize is not a monetary one, the ideal net is 50 percent of the ideal gross.

Sec. 4. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 1, is amended to read:

Subdivision 1. [RATE.] There is hereby imposed a tax on all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, conducted by organizations licensed by the board at the rate specified in this subdivision. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

On all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, the tax is ten percent of the gross receipts of a licensed organization from lawful gambling less prizes actually paid out, payable by the organization.

Sec. 5. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) There is imposed a tax on the sale of each deal of pull-tabs and tipboards sold by a licensed distributor to a licensed organization, or to an organization holding an exemption identification number. The rate of the tax is ten percent of the face resale value of all the pull-tabs in each deal less the total prizes which may be paid out on all the pull-tabs in that ideal net of the pull-tab and tipboard deal. The tax is payable to the commissioner of revenue in the manner prescribed in section 349.2121 and the rules of the commissioner. The commissioner shall pay the proceeds of the tax to the state treasurer for deposit in the general fund. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the licensed distributor to an organization is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A if the tax imposed by this subdivision has been paid and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the licensed or exempt organization, to a common or contract carrier for delivery to the organization, or when received by the organization's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

If a licensed organization or any organization holding an exemption number receives pull-tabs directly from the manufacturer and the manufacturer is not a licensed distributor, the distributor from whom the pull-tabs were purchased is liable for tax when the manufacturer delivers the pull-tabs to the organization, or to a contract or common carrier for delivery to the organization, or when the pull-tabs are received by the organization's

authorized representative at the manufacturer's place of business, regardless of the manufacturer's or the distributor's method of accounting or the terms of the sale.

(c) The exemptions contained in section 349.214, subdivision 2, paragraph (b), do not apply to the tax imposed in this subdivision.

Sec. 6. Minnesota Statutes 1986, section 349.2121, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION AND ISSUANCE.] Every distributor licensed by the board who sells pull-tabs and tipboards to organizations authorized to sell pull-tabs and tipboards under this chapter must file with the commissioner of revenue an application, on a form the commissioner prescribes, for a gambling tax identification number and gambling tax permit. The commissioner, when satisfied that the applicant has a valid license from the board, shall issue the applicant a permit and number. A permit is not assignable and is valid only for the distributor in whose name it is issued.

Sec. 7. Minnesota Statutes 1986, section 349.2121, subdivision 2, is amended to read:

Subd. 2. [RECORDS.] The commissioner may by rule require a licensed distributor holding a permit under this section to keep such books, papers, documents, and records as the commissioner deems necessary to the enforcement of this chapter. The commissioner may examine, or cause to be examined, any books, papers, records, or other documents relevant to making a determination, whether they are in the possession of a distributor or another person or corporation. The commissioner may require the attendance of any persons having knowledge or information in the premises, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to a determination, and to administer oaths or affirmations. A distributor shall keep at each licensed place of business complete and accurate records for that place of business, including itemized invoices of pull-tabs and tipboards held, purchased, manufactured, or brought in or caused to be brought in from without this state, and of all sales of pull-tabs and tipboards. The records must show the names and addresses of purchasers, the inventory at the close of each period for which a return is required of all pull-tab and tipboard deals on hand, and other pertinent papers and documents relating to the purchase, sale, or disposition of pull-tab and tipboard deals. Books, records, and other papers and documents required by this section must be kept for a period of at least three and one-half years after the date of the documents, or the date of the entries appearing in the records, unless the commissioner authorizes in writing their destruction or disposal at an earlier date. At any time during usual business hours, the commissioner, executive secretary of the charitable gambling control board, or any of their duly authorized agents or employees, may enter a place of business of a distributor, charitable organization, or any site from which pull-tabs or tipboards are being sold, without a search warrant, and inspect the premises and the records required to be kept under this section to determine whether there is full compliance with the provisions of this section. If the commissioner, executive secretary, or their duly authorized agents or employees are denied free access to or are hindered or interfered with in making an inspection of the distributor's place of business, the permit of the distributor may be revoked by the commissioner,

and the license of the distributor may be revoked by the charitable gambling control board.

Sec. 8. Minnesota Statutes 1986, section 349.2121, is amended by adding a subdivision to read:

Subd. 2a. A distributor who sells pull-tabs and tipboards to persons other than the ultimate consumer shall give with each sale an itemized invoice showing the distributor's name and address, the purchaser's name and address, the date of the sale, description of the deals including the ideal net amounts, and all prices and discounts, and shall keep legible copies of all the itemized invoices for three and one-half years from the date of sale.

Sec. 9. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 4a, is amended to read:

Subd. 4a. [REFUND.] If any deal of pull-tabs or tipboards registered with the board and upon which the tax imposed by section 349.212, subdivision 4, has been paid is returned unplayed to the distributor, the commissioner of revenue shall allow a refund of the tax paid.

In the case of a defective deal registered with the board and upon which the taxes have been paid is returned to the manufacturer, the distributor shall submit to the commissioner of revenue certification from the manufacturer that the deal was returned and in what respect it was defective. The certification must be in a form prescribed by the commissioner and must contain additional information the commissioner requires.

The commissioner may require that no refund under this subdivision be made unless the returned pull-tabs or tipboards have been set aside for inspection by the commissioner's employee.

Reductions in previously paid taxes authorized by this subdivision shall be made at the time and in the manner prescribed by the commissioner.

Sec. 10. Minnesota Statutes 1986, section 349.2121, subdivision 5, is amended to read:

Subd. 5. [INFORMATION CONFIDENTIAL PUBLIC INFORMATION.] Neither the commissioner nor any other public official or employee may divulge or otherwise make known in any manner any particulars disclosed in any report or return required by this section, or any information concerning the affairs of the distributor making the return acquired from its records, officers, or employees while examining or auditing under the authority of this chapter, except in connection with a proceeding involving taxes due under this chapter. Nothing herein prohibits the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and their contents. Any person violating the provisions of this section is guilty of a gross misdemeanor.

Notwithstanding the provisions of this section, the commissioner may furnish information on a reciprocal basis to the taxing officials of another state or the board in order to implement the purposes of this chapter.

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 must be administered by the vendor consistent with this section. All records

concerning the administration of the pull-tab and tipboard taxes are classified as public information.

Sec. 11. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 10, is amended to read:

Subd. 10. [UNTAXED PULL-TABS OR TIPBOARDS.] It is a gross misdemeanor for any person to possess pull-tabs or tipboards for resale in this state that have not been registered with the board, for which a registration stamp has not been affixed to the flare, and upon which the taxes imposed by section 349.212, subdivision 4, or chapter 297A have not been paid. The executive secretary of the charitable gambling control board or the commissioner of revenue or their designated inspectors and employees may seize in the name of the state of Minnesota any unregistered or untaxed pull-tabs or tipboards.

Sec. 12. Minnesota Statutes 1987 Supplement, section 349.2122, is amended to read:

349.2122 [MANUFACTURERS; REPORTS TO THE COMMISSIONER; PENALTY.]

A manufacturer registered with the board who sells pull-tabs and tipboards to a distributor licensed by the board must file with the commissioner of revenue, on a form prescribed by the commissioner, a report of pull-tabs and tipboards sold to licensed distributors. The report must be filed monthly on or before the 25th day of the month succeeding the month in which the sale was made. Any person violating this section shall be guilty of a misdemeanor.

Sec. 13. Minnesota Statutes 1987 Supplement, section 349.2123, is amended to read:

349.2123 [CERTIFIED PHYSICAL INVENTORY.]

The commissioner of revenue may, upon request, require a ~~pull-tab~~ licensed distributor to furnish a certified physical inventory of the pull-tabs and tipboards in stock. The inventory must contain the information required by the commissioner.

Sec. 14. [349.2125] [CONTRABAND.]

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband:

(1) all pull-tab or tipboard deals that do not have stamps affixed to them as provided in section 349.162;

(2) all pull-tab or tipboard deals in the possession of any unlicensed organization whether stamped or unstamped;

(3) any container used for the storage and display of any contraband pull-tab or tipboard deals as defined in clauses (1) and (2) of this subdivision;

(4) any cash drawer, cash register, or any other container used for illegal pull-tab or tipboard transactions including its contents; and

(5) any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used, with the knowledge of the owner or of a person operating with the consent of the owner, for the storage or transportation of more than five pull-tab or tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards are being

transported in the course of interstate commerce, or from one distributor to another, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions of clause (1).

Subd. 2. [SEIZURE.] Pull-tabs or tipboards or other property made contraband by subdivision 1 may be seized by the commissioner of revenue or the executive secretary of the charitable gambling control board or their authorized agents or by any sheriff or other police officer, hereinafter referred to as the seizing authority, with or without process, and shall be subject to forfeiture as provided in subdivisions 3 and 4.

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.] Within two days after the seizure of any alleged contraband, the person making the seizure shall deliver an inventory of the property seized to the person from whom the property was seized, if known, and file a copy with the commissioner or the executive secretary of the charitable gambling control board. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. Within 30 days after the date of filing of the demand, the seizing authority shall bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The action shall be brought in the name of the state and shall be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and determine the issues of fact and laws involved. When a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either (1) cause the forfeited property to be destroyed; or (2) cause it to be sold at a public auction as provided by law.

If demand for judicial determination is made and no action is commenced as provided in this subdivision, the property shall be released by the seizing authority and delivered to the person entitled to it. If no demand is made, the property seized shall be considered forfeited to the state by operation of law and may be disposed of by the seizing authority as provided where there has been a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by section 349.2121, subdivision 4, the seizing authority shall release the property seized without further legal proceedings.

Subd. 4. [DISPOSAL.] The property described in subdivision 1, clauses 4 and 5, shall be confiscated after conviction of the person from whom it was seized, upon compliance with the following procedure: the seizing authority shall file with the court a separate complaint against the property, describing it and charging its use in the specific violation, and specifying substantially the time and place of the unlawful use. A copy of the complaint must be served upon the defendant or person in charge of the property at the time of seizure, if any. If the person arrested is acquitted, the court shall dismiss the complaint against the property and order it returned to the persons legally entitled to it. Upon conviction of the person arrested, the court shall issue an order directed to any person known or believed to have any right, title or interest in, or lien upon, any of the property, and to persons unknown claiming any right, title, interest, or lien in it, describing the property and (1) stating that it was seized and that a complaint against it, charging the specified violation, has been filed

with the court, (2) requiring the persons to file with the court administrator their answer to the complaint, setting forth any claim they may have to any right or title to, interest in, or lien upon the property, within 30 days after the service of the order; and (3) notifying them in substance that if they fail to file their answer within the time, the property will be ordered sold by the seizing authority. The court shall cause the order to be served upon any person known or believed to have any right, title, interest, or lien as in the case of a summons in a civil action, and upon unknown persons by publication, as provided for service of summons in a civil action. If no answer is filed within the time prescribed, the court shall, upon affidavit by the court administrator, setting forth the fact, order the property sold by the seizing authority. The proceeds of the sale, after deducting the expense of keeping the property and fees and costs of sale, must be paid into the state treasury and credited to the general fund. If an answer is filed within the time provided, the court shall fix a time for a hearing, which shall be not less than ten nor more than 30 days after the time for filing an answer expires. At the time fixed for hearing, unless continued for cause, the matter shall be heard and determined by the court, without a jury, as in other civil actions.

If the court finds that the property, or any part of it, was used in the violation specified in the complaint, it shall order the property unlawfully used to be sold as provided by law, unless the owner shows to the satisfaction of the court that the owner had no notice or knowledge or reason to believe that the property was used or intended to be used in the violation. The officer making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation specified in the order of the court, and shall pay the balance of the proceeds into the state treasury to be credited to the general fund. A sale under this section shall free the property sold from any and all liens on it. Appeal from the order of the district court will lie as in other civil cases. At any time after seizure of the articles specified in this subdivision, and before the hearing provided for, the property shall be returned to the owner or person having a legal right to its possession, upon execution of a good and valid bond to the state, with corporate surety, in the sum of not less than \$100 and not more than double the value of the property seized, to be approved by the court in which the case is triable, or a judge of it, conditioned to abide any order and the judgment of the court, and to pay the full value of the property at the time of the seizure. The seizing authority may dismiss the proceedings outlined in this subdivision when the seizing authority considers it to be in the best interests of the state to do so.

Sec. 15. [349.2126] [PROHIBITIONS.]

Subdivision 1. [COUNTERFEITING.] No person shall with intent to defraud the state, make, alter, forge, or counterfeit any license or stamp provided for in this chapter, or have in possession any forged, spurious, or altered stamps, with the intent, or with the result of, depriving the state of the tax imposed by this chapter.

Subd. 2. [PROHIBITION AGAINST POSSESSION.] No person, other than a licensed distributor, shall sell, offer for sale, or have in possession with intent to sell or offer for sale, a pull-tab or tipboard deal not stamped

in accordance with the provisions of this chapter.

Subd. 3. [FALSIFICATION OF RECORDS.] No person required by section 349.2121, subdivision 2, to keep records or to make returns shall falsify or fail to keep the records or falsify or fail to make the returns.

Subd. 4. [TRANSPORTING UNSTAMPED DEALS.] No person shall transport into, or receive, carry, or move from place to place in this state, any deals of pull-tabs or tipboards not stamped in accordance with this chapter except in the course of interstate commerce, unless the deals are moving from one distributor to another.

Sec. 16. Minnesota Statutes 1986, section 349.22, subdivision 1, is amended to read:

Subdivision 1. [GROSS MISDEMEANOR.] Any other violation of sections 349.11 to 349.214 is A person who in any manner tries to evade the tax imposed by this chapter, or who aids and abets in evasion of the tax, or hinders or interferes with a seizing authority when a seizure is made as provided by section 349.2125, is guilty of a gross misdemeanor.

Sec. 17. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 3. [FELONY.] (a) A person violating section 349.2126, subdivision 1 or 3, is guilty of a felony.

(b) A person violating section 349.2126, subdivisions 2 and 4, by possessing, receiving, or transporting more than ten pull-tab or tipboard deals not stamped in accordance with this chapter is guilty of a felony.

Sec. 18. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 4. [SALES AFTER REVOCATION.] A person selling pull-tabs or tipboards after the person's license or permit has been revoked is guilty of a felony.

Sec. 19. [EFFECTIVE DATE.]

Sections 1 to 4 and 6 to 18 are effective July 1, 1988. Section 5 is effective for deals of tipboards purchased and placed into inventory after June 30, 1988.

ARTICLE 11

SALES TAX

Section 1. Minnesota Statutes 1987 Supplement, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly

or indirectly the materials used in the production, fabrication, printing or processing;

(c) The furnishing, preparing or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients or persons residing at hospitals, sanatoriums, nursing homes or senior citizens homes, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, *except meals furnished at no charge to employees of hospitals, sanitariums, or group homes who are required to eat with the patients or residents residing in them.* Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

- (i) heated food or drinks;
- (ii) sandwiches prepared by the retailer;
- (iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;
- (iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;
- (v) soft drinks and other beverages prepared or served by the retailer;
- (vi) gum;
- (vii) ice;
- (viii) all food sold in vending machines;
- (ix) party trays prepared by the retailers; and
- (x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;

(g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;

(h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a ~~corporation~~, partnership, or association for another ~~corporation~~, partnership, or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. *Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;*

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by

data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(1) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under. ~~The provisions of this paragraph do not apply to an association incorporated under section 315.44.~~

Sec. 2. Minnesota Statutes 1986, section 297A.15, subdivision 1, is amended to read:

Subdivision 1. Liability for the payment of the use tax is not extinguished until the tax has been paid to Minnesota. However, a receipt from a retailer ~~maintaining a place of business in Minnesota, or from a retailer who is authorized by the commissioner under such rules as the commissioner may prescribe, to collect the tax,~~ given to the purchaser pursuant to section 297A.16 relieves the purchaser of further liability for the tax to which the receipt refers, *unless the purchaser knows or has reason to know that the retailer did not have a permit to collect the tax.*

Sec. 3. Minnesota Statutes 1986, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of sections 297A.02, subdivision 2, and 297A.257 the tax on sales of capital equipment, and construction materials and supplies under section 297A.257, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the rates under section 297A.02, subdivision 2, or the exemption under section 297A.257 shall be paid to the purchaser. In the case of building materials qualifying under section 297A.257 where the tax was paid by a contractor, application must be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.02, subdivision 2, or capital equipment or construction materials and supplies under section 297A.257. No more than two applications

for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section 297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 4. Minnesota Statutes 1986, section 297A.16, is amended to read:

297A.16 [COLLECTION OF TAX AT TIME OF SALE.]

~~Any corporation authorized to do business in Minnesota; any retailer as defined in who is required under section 297A.21; or any other retailer as the commissioner shall authorize pursuant to section 297A.15; or authorized by the commissioner to collect the use tax upon making retail sales of any items enumerated in this chapter not exempted under sections 297A.01 to 297A.44; to which the use tax applies shall at the time of making such sales collect the use tax from the purchaser and give to the purchaser a receipt therefor in the form of a notation on the sales slip or receipt for the sales price or in such other form as prescribed by the commissioner. Any such corporation or retailer shall not collect the tax from a purchaser who furnishes to such corporation or retailer a copy of a certificate issued by the commissioner authorizing such purchaser to pay any sales or use tax due on purchases made by such purchaser directly to the commissioner. The tax collected by such corporation or retailer pursuant to the provisions of this section shall be remitted to the commissioner as provided in other sections of this chapter.~~

~~Any corporation or any retailer required to collect the use tax and remit such tax to the commissioner pursuant to this section shall file with the commissioner an application for a permit pursuant to section 297A.04. Every such corporation or retailer shall furnish the commissioner with the name and address of all its agents operating in Minnesota and the location of each of its distribution or sales houses or offices or other places of business in this state.~~

Sec. 5. Minnesota Statutes 1986, section 297A.17, is amended to read:

297A.17 [TAX TO BE COLLECTED; STATUS AS DEBT.]

~~The use tax required to be collected by the retailer constitutes a debt owed by the retailer to Minnesota and shall be a debt from the purchaser to the retailer recoverable at law in the same manner as other debts. A retailer who does not maintain a place of business within this state shall not be indebted to Minnesota for amounts of use tax which it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the use tax.~~

Sec. 6. Minnesota Statutes 1986, section 297A.21, is amended to read:

297A.21 [REGISTRATION; INFORMATION RELATING TO BUSINESS LOCATION TO COLLECT USE TAX.]

~~Subdivision 1. Every retailer making retail sales for storage, use or other consumption in Minnesota shall register with the commissioner and give the name and address of all agents operating in Minnesota; the location of all distribution or sales houses, offices or other places of business in Minnesota; and such other information as the commissioner may require. When,~~

in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard any salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of such dealer, distributor, supervisor, employer, or other person, the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.

Subd. 2. [RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] "Retailer maintaining a place of business in this state", or any like term, shall mean any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent operating within this state under the authority of the retailer or its subsidiary, whether such place of business or agent is located in the state permanently or temporarily, or whether or not such retailer or subsidiary is authorized to do business within this state.

Subd. 2. [DESTINATION.] *The destination of a sale is the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser by any means of delivery, including the United States Postal Service, a common carrier, or a contract carrier.*

Subd. 3. [OUT-OF-STATE RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] *A retailer making retail sales from outside this state to a destination within this state and maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16.*

Subd. 4. [REQUIRED REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] *(a) A retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16 if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:*

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included of a broader regional or national publication which are not placed in other

geographically defined editions of the same issue of the same publication;

(6) advertisements broadcast on a radio or television station located in Minnesota; or

(7) any other solicitation by telegraphy, telephone, computer data base, cable, optic, microwave, or other communication system.

(b) The location within or without this state of vendors independent of the retailer which provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not to be taken into account in the determination of whether the retailer is required to collect use tax. Paragraph (a) shall be construed without regard to the state from which distribution of the materials originated or in which they were prepared.

(c) A retailer not maintaining a place of business in this state shall be presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and makes 100 or more retail sales from outside this state to destinations within this state during a period of 12 consecutive months.

(d) A retailer not maintaining a place of business in this state shall not be required to collect use tax imposed by any local governmental unit or subdivision of this state and this section does not subject such a retailer to any regulation of any local unit of government or subdivision of this state.

Subd. 5. [VOLUNTARY REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] A retailer making retail sales from outside this state to a destination within this state who is not required to collect and remit use tax may nevertheless voluntarily file an application for a permit pursuant to section 297A.04. If the application is granted, the retailer shall collect and remit the use tax as provided in section 297A.16 until the permit is canceled or revoked.

Subd. 6. [COMMISSIONER'S DISCRETION.] (a) The commissioner may decline to issue a permit to any retailer not maintaining a place of business in this state, or may cancel a permit previously issued to the retailer, if the commissioner believes that the use tax can be collected more effectively from the persons using the property in this state. A refusal to issue or cancellation of a permit on such grounds does not affect the retailer's right to make retail sales from outside this state to destinations within this state.

(b) When, in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard a salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of that dealer, distributor, supervisor, employer, or other person the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.

Sec. 7. Minnesota Statutes 1987 Supplement, section 297A.212, is amended

to read:

297A.212 [RAILROAD ROLLING STOCK.]

Railroad rolling stock used by a railroad operating in this state that is licensed as a common carrier by the Interstate Commerce Commission and used to transport persons or property in interstate or foreign commerce is subject to taxation under this chapter only to the extent provided in this section. *The tax shall be computed by using the ratio of intrastate mileage to interstate or foreign mileage traveled by the carrier during the previous fiscal year of the carrier revenue ton miles plus 25 percent of interstate revenue ton miles of passengers, mail, express, and freight carried by the railroad within this state to the total number of revenue ton miles carried by the railroad within and without this state.* This ratio must be determined at the close of the carrier's previous fiscal year. This ratio must be applied each month to the ~~purchase price total amount of purchases of total purchases of rolling stock that are used in within and without this state~~ by the railroad to establish that portion of the total used and consumed in intrastate movement and subject to tax under this chapter. "Railroad rolling stock" means all portable or moving apparatus and machinery of a railroad company and includes engines, cars, tenders, coaches, sleeping cars, and parts necessary for the repair and maintenance of the rolling stock.

Sec. 8. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 3, is amended to read:

Subd. 3. [MEDICINES; MEDICAL DEVICES.] The gross receipts from the sale of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, therapeutic, and prosthetic devices. *Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicycid acid, ibuprofen, or a combination thereof are exempt.*

Sec. 9. Minnesota Statutes 1986, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of tangible personal property are exempt:

(1) property 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

(2) property 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.

Sec. 10. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] 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, *the University of Minnesota, state universities, community colleges, technical institutes, state academies, and political subdivisions of the state* are exempt. *Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (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.

Sec. 11. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 37. [YMCA AND YWCA MEMBERSHIPS.] *The gross receipts from the sale of memberships, including both one-time initiation fees and periodic membership dues, to an association incorporated under section 315.44 or 315.49, are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.*

Sec. 12. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 38. [STATE FAIR ADMISSIONS.] *The gross receipts from the sale of tickets to the premises of or events sponsored by the state agricultural society and conducted on the state fairgrounds during the period of the annual state fair are exempt, provided that:*

(1) the tax foregone under this subdivision is used exclusively for the purpose of making capital improvements to state-owned buildings and facilities on the state fairgrounds; and

(2) the tax foregone under this subdivision is matched in equal amount by proceeds from special assessments levied against commercial exhibits, concessions and rentals, and from other special user fees specifically designated for capital improvements.

Sec. 13. Minnesota Statutes 1986, section 297A.35, subdivision 1, is amended to read:

Subdivision 1. A person who has, pursuant to the provisions of this chapter, paid to the commissioner an amount of tax for any period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of such excess subject to the conditions specified in subdivision 5. Except as provided in subdivision 4 no such claim shall be entertained unless filed within two years after such tax was paid, or within three years from the filing of the return, whichever period is the longer. The commissioner shall examine the claim and make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such person at the address stated upon the claim. Any allowance shall include interest on the excess determined at a rate specified in section 270.76 from the date such excess was paid or collected until the date it is refunded or credited, *unless otherwise specified in this chapter*. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any taxes under sections 297A.01 to 297A.44 due from the claimant and for the balance of said allowance, if any, the commissioner shall issue a certificate for the refundment of the excess paid, and the commissioner of finance shall cause such refund to be paid out of the proceeds of the taxes imposed by sections 297A.01 to 297A.44, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose.

Sec. 14. Minnesota Statutes 1986, section 329.11, is amended to read:

329.11 [LICENSE; APPLICATION, ISSUANCE, FEE; BOND; AGENT FOR SERVICE OF PROCESS.]

Any transient merchant desiring to engage in, do, or transact business by auction or otherwise, in any county in this state shall file an application for a license for that purpose with the auditor of the county in which the desired business is to be conducted, which application shall state the name of the applicant, the proposed place of business, the kind of business proposed to be conducted, and the length of time desired to do business. Such transient merchant shall pay to the treasurer of such county a license fee of \$150, ~~any personal property taxes payable by the merchant pursuant to Minnesota Statutes 1949, Sections 288.01 to 288.03,~~ and shall give bond to the county in an amount to be determined by the county treasurer, which shall be not less than \$1,000 nor more than \$3,000 ~~which~~. The bond shall be approved by the treasurer and be conditioned that the merchant will in all things conform to the laws relating to transient merchants and further conditioned on full compliance with all material oral or written statements and representations made by the seller, the seller's agents, representatives, or auctioneers with reference to merchandise sold or offered for sale and on faithful performance under all warranties made with reference thereto. The treasurer of such county shall issue to such person receipts therefor, and such transient merchant shall thereupon file such receipts with the auditor of such county, who shall thereupon issue to such transient merchant a license to do business as such at the place described in the application; and the kind of business to be done shall be described therein. No license shall be good for more than one person unless such person shall be a member of a copartnership, nor for more than one place, and shall not be good outside of the county in which it was issued. Such license shall be good for a period of one year from the date of its issuance. The auditor shall keep a record of such licenses in a book provided for that purpose, which shall at all times be open for public inspection. *No license*

shall be issued unless the merchant produces evidence that the merchant is the holder of a valid seller's permit issued under section 297A.04, or a written statement from the merchant that the merchant is not offering for sale any item that is taxable under chapter 297A.

The application shall further contain the applicant's residence and business address for the prior two year period; the type of business engaged in during the previous two years; and the name and address of the auctioneer who will conduct the sale. No such sale shall be conducted in the name of any person other than the bona fide owner of the merchandise.

The applicant shall attach to the application an itemized list of merchandise to be offered for sale reciting as to each item a description thereof including serial number if any, the owner's actual cost thereof, and a designation by number corresponding with a number to be affixed to each item by a tag which shall be kept fastened to the item at all times until sold.

Prior to the issuance of the license and approval of bond, the applicant shall in writing appoint the county auditor as the applicant's agent to accept service of process in any action commenced against the applicant arising out of the sale for which the license is sought. Such action shall be brought in the county where the sale was held.

Sec. 15. [REPEALER.]

Minnesota Statutes 1986, section 297A.15, subdivision 2, is repealed.

Sec. 16. [EFFECTIVE DATE.]

Section 1, paragraph (c), is effective for all meals furnished on or after October 15, 1987. Sections 1, paragraphs (j) and (k), and 11, are effective for retail sales made after June 30, 1988. Section 12 is effective for sales made after December 31, 1988. Section 14 is effective July 1, 1988. Sections 3 and 13 are effective for all refund claims filed after June 30, 1988. Sections 7 and 10 providing for exemption of sales under section 297A.01, subdivision 3, paragraph (f), are effective for all sales made after May 31, 1987, but do not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before June 1, 1987, and delivery is made on or before December 31, 1987. The remainder of section 10 is effective July 1, 1988, provided that sales to the University of Minnesota hospital are exempt effective June 1, 1987. Section 9 is effective for all sales made after June 30, 1988, but does not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before July 1, 1988, and delivery is made on or before December 31, 1988. Sections 2 and 4 to 6 are effective June 1, 1988.

ARTICLE 12

CIGARETTE AND LIQUOR TAXES

Section 1. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 7, is amended to read:

Subd. 7. "Distributor" means any and each of the following:

(1) any person engaged in the business of selling cigarettes in this state and who manufactures or who brings, or causes to be brought, into this state from without the state any packages of cigarettes for sale to subjobbers or retailers;

(2) any person who makes, manufactures, or fabricates cigarettes in this state for sale in this state;

(3) any person engaged in the business without this state who ships or transports cigarettes to retailers in this state, to be sold by those retailers;

(4)(3) any person who is on direct purchase from a cigarette manufacturer and applies cigarette stamps or indicia on at least 50 percent of cigarettes sold by that person.

A distributor who also sells at retail must maintain a separate inventory, substantiated with invoices for cigarettes that were acquired for retail sale.

A distributor may transfer another state's stamped cigarettes to another distributor for the purpose of resale in the other state.

Sec. 2. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 14, is amended to read:

Subd. 14. "Subjobber" means any person who acquires stamped cigarettes or other state's stamped cigarettes for the primary purpose of resale to retailers, and any licensed distributor who delivers to and sells or distributes stamped cigarettes from a place of business other than that licensed in the distributor's license. The definition of subjobber does not include the occasional sale of stamped cigarettes from one retailer to another. Notwithstanding the foregoing, "subjobber" shall also mean any person who is a vending machine operator. A vending machine operator is any person whose principal business is operating, or owning and leasing to operators, machines for the vending of merchandise or service.

For the purpose of this section, any subjobber that sells at retail must maintain a separate inventory, substantiated with invoices, that reflect the cigarettes were acquired for retail sale.

Sec. 3. Minnesota Statutes 1986, section 297.01, is amended by adding a subdivision to read:

Subd. 15. "Prior continuous compliance taxpayer" means any person who is licensed under section 297.04 and who, having been a licensee for a continuous period of five years, is determined by the commissioner not to have been either delinquent or deficient in the payment of tax liability during that period or otherwise in violation of this chapter. Any taxpayer who has, as verified by the commissioner, continuously complied with the condition of a bond or other security under provisions of this chapter for a period of five consecutive years shall also be considered to be a "prior continuous compliance taxpayer." A continuous period of time of qualifying compliance immediately prior to August 1, 1988, shall be credited to any licensee who became licensed on or before that date.

Sec. 4. Minnesota Statutes 1986, section 297.03, is amended by adding a subdivision to read:

Subd. 5a. [REVOLVING ACCOUNT.] A heat applied cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase heat applied stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs shall be deposited into this revolving account and shall be available to the commissioner for further purchases and shipping costs. The revolving account shall be funded by reducing the stamping discounts allowed in subdivision

5 for the first three months of fiscal year 1989. The stamping discounts shall be 0.75 percent of the face amount of any stamps purchased in the first three months for the first \$1,500,000 of the stamps and 0.50 percent on the remainder of the stamps purchased.

At the end of each of the first three months of fiscal year 1989, the commissioner shall notify the commissioner of finance of the amount of reduced stamping discounts which have accrued to the tobacco tax revenue fund. The commissioner of finance shall then transfer the amounts to the heat applied cigarette tax stamp revolving account from the tobacco tax revenue fund.

Sec. 5. Minnesota Statutes 1987 Supplement, section 297.03, subdivision 6, is amended to read:

Subd. 6. [TAX METER MACHINES.] (4) (a) Before January 1, 1990, the commissioner may authorize any person licensed as a distributor to stamp packages with a tax meter machine, approved by the commissioner, which shall be provided by the distributor. The commissioner may provide for the use of such a machine by the distributor, supervise and check its operation, provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5; ~~and in that connection.~~ Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in a suitable amount to guarantee the payment of the tax.

(2) (b) Before January 1, 1990, the commissioner may authorize, and after December 31, 1989, the commissioner shall require any person licensed as a distributor whose stamp meter machine is no longer operational to stamp packages with a heat-applied tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5. The commissioner may sell heat-applied stamps on a credit basis under conditions prescribed by the commissioner; ~~and in that connection.~~ Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in an amount suitable to guarantee payment of the tax stamps so purchased by a distributor. The stamps shall be sold by the commissioner at a price which includes the tax after giving effect to the discount provided in subdivision 5. The commissioner shall recover the actual costs of the stamps from the distributor.

(3) (c) If the commissioner finds that a stamping machine is not printing or affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

(d) Every prior continuous compliance taxpayer is exempt from all requirements under this chapter concerning the furnishing of a bond. This exemption shall continue for the taxpayer until the commissioner determines that the taxpayer is delinquent in the filing of any return, or is determined by the commissioner to be delinquent or deficient in the payment of any uncontested tax liability under this chapter. At that time that taxpayer shall become subject to the bond requirements of this chapter and, as a condition of being allowed to continue to engage in the business licensed under this chapter, shall be required to furnish bond to the commissioner as provided in this chapter. The taxpayer shall furnish the bond

for a period of two years, after which, if the taxpayer has not been delinquent in the filing of any returns, or delinquent or deficient in the paying of any tax under this chapter, the commissioner may reinstate the person as a prior continuous compliance taxpayer. Any taxpayer who fails to pay an uncontested tax liability under this chapter may also be required to post bond or other acceptable security with the commissioner guaranteeing the payment of the uncontested tax liability. The commissioner shall annually establish the maximum amount of heat applied stamps or meter units that may be purchased each month. Notwithstanding any other provisions of this chapter, the tax due on the return shall be paid with certified funds and will be based upon actual heat applied stamps or meter units purchased during the reporting period.

Sec. 6. Minnesota Statutes 1986, section 297.03, subdivision 12, is amended to read:

Subd. 12. [SETTING OF TAX METERS.] The commissioner may designate the county treasurer of any county or any banking institution as defined by section 48.01, *or any banking institution as defined by any states' statutes* as the representative of the commissioner in the setting of a tax meter machine of any particular distributor and the collection of the cigarette tax upon such setting. The county treasurer or banking institution so designated shall be required to set tax meter machines following the method prescribed by the commissioner of revenue and to transmit the amount of tax collected and to report the setting of each tax meter to the commissioner on or before the next business day. For purposes of this paragraph, a business day shall not include Saturday. Such duties shall be within the coverage of the official bond of the county treasurer. The commissioner shall prescribe the form and amount of a surety bond which shall be furnished by a banking institution designated pursuant to this subdivision. The commissioner shall have the right to withdraw this designation without cause.

Sec. 7. Minnesota Statutes 1986, section 297.041, subdivision 1, is amended to read:

Subdivision 1. [WHOLESALEERS.] Any wholesaler who furnishes a surety bond in a sum satisfactory to the commissioner shall be permitted to set aside, without affixing the stamps required by this chapter, that part of the wholesaler's stock necessary for the conduct of business in making sales to the established governing body of any Indian tribe recognized by the United States Department of Interior. The unstamped stock shall be kept separate and apart from stamped stock. Every wholesaler shall, at the time of shipping or delivering any of the unstamped stock to an Indian tribal organization, make a true duplicate invoice which shall show the complete details of the sale or delivery and shall transmit the duplicate to the commissioner not later than the ~~fifteenth~~ 18th day of the following calendar month. Failure to comply with the requirements of this section shall cause the commissioner to revoke the permission granted to the wholesaler to maintain a stock of goods which may be unstamped. ~~The commissioner may also revoke this permission to maintain a stock of unstamped goods for sale to a specific Indian tribal organization when it appears that sales of unstamped cigarettes to persons who are not enrolled members of a recognized Indian tribe are taking place, or have taken place, within the exterior boundaries of the reservation occupied by that tribe.~~

Sec. 8. Minnesota Statutes 1986, section 297.06, subdivision 1, is amended

to read:

Subdivision 1. [DISTRIBUTOR TO KEEP RECORDS.] Every distributor shall keep at each licensed place of business complete and accurate records, for that place of business, including itemized invoices, of cigarettes held, purchased, manufactured, or brought in or caused to be brought in from without the state, and of all sales of cigarettes made, except sales to the ultimate consumer. These records shall show the names and addresses of purchasers, the inventory at the close of each period for which a return is required of all cigarettes on hand, and of all stamps, affixed and unaffixed, and other pertinent papers and documents relating to the purchase, sale, or disposition of cigarettes. When a licensed distributor sells cigarettes exclusively to the ultimate consumer at the address given in the license, no invoice of those sales shall be required, but itemized invoices shall be made of all cigarettes transferred to other retail outlets owned or controlled by that licensed distributor. All books, records, and other papers and documents required by sections 297.01 to 297.13 to be kept shall be preserved for a period of at least ~~one year~~ *three years* after the date of the documents, as aforesaid, or the date of the entries thereof appearing in the records, unless the commissioner, in writing, authorizes their destruction or disposal at an earlier date. At any time during usual business hours the commissioner, or duly authorized agents or employees, may enter any place of business of a distributor, without a search warrant, and inspect the premises, the records required to be kept under sections 297.01 to 297.13, and the packages of cigarettes and the vending devices contained therein, to determine whether or not all the provisions of these sections are being fully complied with. If the commissioner, or any such agent or employee, is denied free access or is hindered or interfered with in making such examination, the license of the distributor at such premises shall be subject to revocation by the commissioner.

Sec. 9. Minnesota Statutes 1986, section 297.06, subdivision 2, is amended to read:

Subd. 2. [DISTRIBUTOR TO PRESERVE COPIES OF INVOICES.] Every person who sells cigarettes to persons other than the ultimate consumer shall render with each sale itemized invoices showing the seller's name and address, the purchaser's name and address, the date of sale, and all prices ~~and discounts~~ and shall preserve legible copies of all such invoices for ~~one year~~ *three years* from the date of sale.

Sec. 10. Minnesota Statutes 1986, section 297.06, subdivision 3, is amended to read:

Subd. 3. [RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.] Every retailer and subjobber shall procure itemized invoices of all cigarettes purchased. The invoices shall show the name and address of the seller and the date of purchase. The retailer and subjobber shall preserve a legible copy of each such invoice for one year from the date of purchase. ~~Invoices shall be available for inspection by the commissioner or authorized agents or employees at the retailer's or subjobber's place of business.~~

At any time during normal business hours, the commissioner or the commissioner's agents may enter any place of business of a retailer or subjobber without a search warrant and inspect the premises, the records required to be kept for this subdivision, and the packages of cigarettes,

tobacco products, and vending devices contained on the premises to determine whether all provisions of chapter 297 and sections 325D.30 to 325D.40, are being fully complied with.

Sec. 11. Minnesota Statutes 1986, section 297.06, is amended by adding a subdivision to read:

Subd. 4. [CERTIFIED PHYSICAL INVENTORY.] The commissioner of revenue or the commissioner's authorized agents may, upon request but not more than twice annually, require a cigarette or tobacco distributor to furnish a physical inventory of all cigarettes in stock. The inventory shall contain all information that the commissioner may request and shall be certified by an officer of the corporation.

Sec. 12. Minnesota Statutes 1986, section 297.08, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband:

(1) All packages which do not have stamps affixed to them as provided in sections 297.01 to 297.13 and all devices for the vending of cigarettes in which such unstamped packages are found, *including all contents contained within the devices.*

(2) Any device for the vending of cigarettes and all packages of cigarettes contained therein, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp or imprint required by sections 297.01 to 297.13, it shall be presumed that all packages contained in the device are unstamped and contraband.

(3) Any device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(4) Any device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(5) Any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (1).

Sec. 13. Minnesota Statutes 1987 Supplement, section 297.11, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTING UNSTAMPED PACKAGES.] No person shall transport into, or receive, carry, or move from place to place in this state, any packages of cigarettes not stamped in accordance with the provisions of this act except in the course of interstate commerce, unless the cigarettes are moving from a public warehouse to a distributor upon orders from the manufacturer or distributor. This subdivision shall not apply to a person carrying for personal use not more than 200 cigarettes when those

cigarettes have had the individual packages or seals thereof broken and are intended for personal use by that person and not to be sold or offered for sale.

Common carriers *and contract carriers* transporting cigarettes into this state shall file with the commissioner reports of all such shipments other than those which are delivered to public warehouses of first destination in this state which are licensed under the provisions of chapter 231. Such reports shall be filed monthly on or before the 10th day of each month and shall show with respect to deliveries made in the preceding month: the date, point of origin, point of delivery, name of consignee, the quantity of cigarettes delivered and such other information as the commissioner may require.

All common carriers *and contract carriers* transporting cigarettes into Minnesota shall permit examination by the commissioner of their records relating to the shipment of cigarettes.

Any person who fails or refuses to transmit to the commissioner the required reports or whoever refuses to permit the examination of the records by the commissioner shall be guilty of a *gross misdemeanor*.

Sec. 14. Minnesota Statutes 1986, section 297.12, subdivision 1, is amended to read:

Subdivision 1. [FELONY.] (a) Any person violating section 297.11, subdivision 1, shall be guilty of a felony.

(b) Any person violating section 297.11, subdivisions 2 or 5 by possessing, receiving, or transporting more than ~~20,000~~ 10,000 cigarettes not stamped in accordance with the provisions of sections 297.01 to 297.13 shall be guilty of a felony.

(c) *A person selling cigarettes after the person's license has been revoked is guilty of a felony.*

Sec. 15. Minnesota Statutes 1986, section 297.35, is amended by adding a subdivision to read:

Subd. 10. A manufacturer of tobacco products shall report on a form prescribed by the commissioner all sales of tobacco products to Minnesota-licensed distributors, subjobbers, retailers, or to any locations within the state. The report shall be due on, or before, the 18th of the month following the reporting period.

Anyone violating this section is guilty of a gross misdemeanor.

Sec. 16. [297.44] [TIME LIMITATIONS.]

Subdivision 1. [TIME FOR ASSESSMENT; NOTICE.] Except as otherwise provided in this chapter, the amount of taxes assessable with respect to a taxable period must be assessed within three years after the return for the period is filed. The taxes shall be considered assessed within the meaning of this section when the commissioner has prepared a notice of tax assessment and mailed it to the person required to file a return to the post office address given in the return. The record of the mailing is presumptive evidence of the giving of the notice, and the records must be preserved by the commissioner.

Subd. 2. [OMISSION OVER 25 PERCENT.] If the person required to file the return omits from the return a dollar amount properly includable

in it that is in excess of 25 percent of the dollar amount reported in the return, the tax may be assessed, or a proceeding in court for the collection of the tax may be begun, at any time within five years after the return was filed.

Subd. 3. [DATE OF FILING.] For the purposes of this section and section 297.36, a return filed before the last day prescribed by law for its filing is considered filed on the last day.

Subd. 4. [FRAUD; FAILURE TO FILE.] In the case of a false or fraudulent return with intent to evade tax or failure with the same intent to file a return, the tax may be assessed at any time, and a proceeding in court for the collection of the tax must begin within five years after the assessment.

Subd. 5. [COLLECTION.] Where the assessment of a tax due under this chapter is made within the period of limitation properly applicable to it, the tax may be collected by a proceeding in court, but only if begun within five years after the date of assessment.

Subd. 6. [SUSPENSION OF TIME; BANKRUPTCY PROCEEDINGS.] The time during which a tax must be assessed or collection proceedings commenced under this chapter is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or that the automatic stay has been terminated or has expired.

The suspension of the statute of limitations under this subdivision applies to the person against whom the petition in bankruptcy is filed, and to all other persons who may be wholly or partially liable for the tax under this chapter.

Sec. 17. Minnesota Statutes 1986, section 297C.02, subdivision 4, is amended 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 and wines;
- (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. 18. Minnesota Statutes 1986, section 297C.03, is amended by adding a subdivision to read:

Subd. 6. [INFORMATIONAL RETURNS.] Manufacturers, wholesalers, and importers licensed to ship distilled spirits or wine into Minnesota shall file with the commissioner a monthly informational report on a form prescribed by the commissioner. No payment of any tax is required to be remitted with this report. The report shall be filed on or before the tenth day following the end of each calendar month, regardless of whether or not any shipments were made into Minnesota during the previous month. A person failing to file this monthly report is subject to the provisions of section 297C.14, subdivision 8.

Sec. 19. Minnesota Statutes 1987 Supplement, section 297C.04, is amended to read:

297C.04 [PAYMENT OF TAX; MALT LIQUOR.]

The commissioner may by rule provide a reporting method for paying and collecting the excise tax on fermented malt beverages. *The tax shall be imposed upon the first sale or importation made in this state by a licensed brewer or importer.* The rules must require reports to be filed with and the excise tax to be paid to the commissioner on or before the 18th 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.

A distributor who has title to or possession of fermented malt beverages upon which the excise tax has not been paid and who knows that the tax has not been paid, shall file a return with the commissioner on or before the 18th day of the month following the month in which the distributor obtains title or possession of the fermented malt beverages. The return must be made on a form furnished and prescribed by the commissioner, and must contain all information that the commissioner requires. The return must be accompanied by a remittance for the full unpaid liability shown on it.

Sec. 20. Minnesota Statutes 1986, section 297C.07, is amended to read:

297C.07 [EXCEPTIONS.]

The following are not subject to the excise tax:

(1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.

(2) Sales of wine for sacramental purposes under section 340A.316.

(3) Fruit juices naturally fermented or beer naturally brewed in the home for family use.

(4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.

(5) *Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this part, "manufacturer" means a manufacturer of food products intended*

for sale to wholesalers or retailers for ultimate sale to the consumer.

(6) Sales to common carriers engaged in interstate transportation of passengers and qualified approved military clubs, except as provided in section 297C.17.

(7) Alcoholic beverages sold or transferred between Minnesota wholesalers.

(8) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.

Sec. 21. [297C.17] [COMMON CARRIERS.]

Common carriers engaged in interstate transportation of passengers must file monthly reports together with the tax payment on the sale of alcoholic beverages sold within the state of Minnesota. The report and payment must be filed by the 18th day of the month following the month in which the sale took place. A common carrier is permitted to use a formula for the allocation of the total sales of alcoholic beverages between states on the basis of passenger miles in each state or some other method of allocation if written approval is received from the commissioner.

Sec. 22. [REPEALER.]

Minnesota Statutes 1986, section 297C.03, subdivision 5, is repealed.

Sec. 23. [EFFECTIVE DATE.]

Section 5 is effective January 1, 1989. The remainder of this article is effective July 1, 1988.

ARTICLE 13

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 7, is amended to read:

Subd. 7. [ORIGINAL ASSESSED VALUE.] *(a) Except as provided in paragraph (b), "original assessed value" means the assessed value of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original assessed value the assessed value of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the assessed value of the property shall be the assessed value as most recently determined by the commissioner of revenue.*

(b) The original assessed value of any designated hazardous substance site or hazardous substance subdistrict shall be determined on January 2 following the date the agency or municipality certifies to the county auditor that the agency or municipality has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan, the original assessed value shall be equal to the assessed value of the parcel, as most recently determined by the commissioner of revenue, less the reasonable and necessary costs of

the removal actions and remedial actions to be undertaken with respect to the parcel as certified to the county auditor by the municipality or agency but not less than zero.

(c) The original assessed value shall be increased by the amount by which it was reduced pursuant to paragraph (b) upon certification by the municipality that the costs of the removal actions and remedial actions have been paid or reimbursed.

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly-owned property.

(e) The terms "removal," "remedial," "action," "hazardous substance," and "pollutant or contaminant" have the meanings assigned by section 115B.02. The term "development response action plan" has the meaning given under section 3.

Sec. 2. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; or

(3) less than 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements, but due to unusual terrain or soil deficiencies requiring substantial filling, grading, or other physical preparation for use at least 80 percent of the total acreage of such land has a fair market value upon inclusion in the redevelopment district which, when added to the estimated cost of preparing that land for development, excluding costs directly related to roads as defined in section 160.01 and local improvements as described in section 429.021, subdivision 1, clauses 1 to 7, 11 and 12, and 430.01, if any, exceeds its anticipated fair market value after completion of the preparation. No parcel shall be included within a redevelopment district pursuant to this paragraph unless the authority has concluded an agreement or agreements for the development of at least 50 percent of the acreage having the unusual soil or terrain deficiencies, which agreement provides recourse for the authority should the development not be completed; or

(4) the property consists of underutilized air rights existing over a public

street, highway, or right-of-way; or

(5) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(6) the district consists of an existing or proposed industrial park no greater in size than 250 acres, which contains a sewage lagoon contaminated with polychlorinated biphenyls.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) For districts approved under section 469.175, subdivision 3, or for noncontiguous areas added to existing districts after April 1, 1988, if the district consists of two or more noncontiguous geographic areas, each area must qualify as a redevelopment district under paragraph (a), clauses (1) to (6), in order to be included in the district, and the area of the entire district must satisfy the requirements of paragraph (a).

Sec. 3. Minnesota Statutes 1987 Supplement, section 469.174, is amended by adding a subdivision to read:

Subd. 16. [DESIGNATED HAZARDOUS SUBSTANCE SITE.] "Designated hazardous substance site" means any parcel or parcels with respect to which the authority or municipality has certified to the county auditor that the authority or municipality has entered into a redevelopment or other agreement providing for, or otherwise has available to it funds, including, without limitation, tax increment which would be made available pursuant to section 469.175, subdivision 1, to finance the removal actions or remedial actions specified in a development response action plan. For purposes of this section, a plan or proposal for removal actions or remedial actions constitutes a development response action plan if the actions contained in the plan or proposal are:

(1) requested by the pollution control agency or its commissioner pursuant to section 115B.17, 115C.03, or other law; or

(2) proposed to the commissioner of the pollution control agency by a municipality to respond to a release or threatened release of a hazardous substance, pollutant, contaminant, or petroleum.

Sec. 4. [469.1741] [TOWN AUTHORITY.]

No town may be authorized after the date of enactment of this act to exercise powers under sections 469.174 to 469.179 unless the town has the authority to exercise powers under section 368.01, is located within the metropolitan area as defined in section 473.121, subdivision 2, and has a population in excess of 5,000 persons.

Sec. 5. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a

project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent assessed value of taxable real property within the tax increment financing district;

(v) the estimated captured assessed value of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence; and

(6) ~~a statement~~ *statements* of the authority's ~~estimate~~ *alternate estimates* of the impact of tax increment financing on the assessed values of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. *For purposes of one statement, the authority shall assume that the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured assessed value would be available to the taxing jurisdictions without creation of the district;*

(7) *identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and*

(8) *identification of all parcels to be included in the district.*

Sec. 6. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. *The information on the fiscal and economic implications of the plan must be provided to the county and school district boards at least 30 days before the public hearing required by subdivision 3. The 30-day requirement is waived if the county and school district submit written comments on the proposal and any modification of*

the proposal to the authority after receipt of the information. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. ~~The county auditor shall not certify the original assessed value of a district pursuant to section 469.177, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first.~~ Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of ~~energy~~ trade and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Sec. 7. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, or an economic development district; *if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (6), shall be retained and made available to the public by the authority until the district has been terminated.*

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 8. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 4, is amended to read:

Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area of the project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured assessed value to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing, and findings required for approval of the original plan; provided that if an authority changes the type of district from housing, redevelopment, or economic development to another type of district, this change shall not be considered a modification but shall require the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the assessed valuation of the district by the county auditor. *If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (6), shall be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current assessed value of the parcels eliminated from the district equals or exceeds the assessed value of those parcels in the district's original assessed value or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original assessed value will be reduced by no more than the current assessed value of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.*

(b) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original assessed value by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979, except that development districts created pursuant to Minnesota Statutes 1978, chapter 472A, prior to August 1, 1979, may be reduced but shall not be enlarged after five years following the date of designation of the district.

Sec. 9. Minnesota Statutes 1987 Supplement, section 469.175, is amended by adding a subdivision to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT.] (a) *A municipality or authority which is creating or has created*

a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing and findings required for approval of the original plan. The geographic area of the subdistrict shall be made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality shall make the findings under paragraphs (b) to (d), and shall set forth in writing the reasons and supporting facts for each.

(b) The proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

Sec. 10. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 1, is amended to read:

Subdivision 1. [DURATION OF TAX INCREMENT FINANCING DISTRICTS.] (a) Subject to the limitations contained in paragraphs (b) to (f), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) (i) *For districts certified after August 1, 1979, no tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, provided that for districts approved under section 469.175, subdivision 3, after April 1, 1988, if bonds or obligations issued to implement the district's tax increment financing plan are exempt from federal and state income taxes, the duration of the district is 20 years. No tax increment shall in any event be paid to the authority after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district. In the case of a redevelopment district that has a maximum duration of 20 years under this subdivision, the authority may waive receipt of increment for the first year in which property tax is paid by captured assessed value. For purposes of determining the duration limits the waived increment does not constitute receipt of increment.*

(ii) *For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after 30 years from August 1, 1979 April 1, 2001, or the term of a bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district.*

(f) *Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.*

If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment shall begin on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certification under section 469.174, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.174, subdivision 7, paragraph (b). The extended period for collection of tax increment shall be the lesser of: (1) 25 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 11. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 4, is amended to read:

Subd. 4. [LIMITATION ON USE OF TAX INCREMENT.] (a) All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or

otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.134, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve. *Tax increments may be used to pay for the county's actual administrative expenses under sections 469.174 to 469.179; the county may require payment of those expenses by February 15 of the year after the year in which the expenses are incurred. The amount of these payments are not required to be set forth in the tax increment financing plan for the project. To obtain payment for actual administrative costs, the county auditor must submit to the authority a record of costs incurred by the county auditor related to administration of the authority's tax increment financing districts.* Revenue derived from tax increment from a mined underground space development district may be used only to pay for the costs of excavating and supporting the space, of providing public access to the mined underground space including roadways, and of installing utilities including fire sprinkler systems in the space. *Revenue derived from tax increment from a district approved under section 469.175, subdivision 3, after April 1, 1988, all or a portion of which qualified as a redevelopment district under section 469.174, subdivision 10, paragraph (3), or from parcels added to an existing district of that type after April 1, 1988, may be used only to (1) acquire parcels on which the improvements described in clause (2) will occur; (2) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and (3) pay for the administrative expenses of the authority allocable to the district. The sale by the authority of a parcel acquired and improved as described in clauses (1) and (2) must be for a price that is no less than the cost of acquisition. No less than one-half of the revenue derived from tax increment from a housing project must be used to finance or otherwise pay the cost of land acquisition, site improvements, public improvements directly related to, and construction or renovation of a project consisting of housing described in section 469.174, subdivision 11, including allocated administration costs. Tax increments from economic development projects may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to buildings and ancillary facilities used for retail or wholesale sales or for office purposes. Improvements include, but are not limited to, parking lots or ramps, utilities, parks integral to the building or buildings or streets, highways, or highway interchanges providing improved access to the retail or office facilities. Buildings where less than five percent of the floor space is used for office or retail or wholesale purposes will not be considered to be used for retail or wholesale sales or for office purposes.*

(b) Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 469.012.

subdivisions 7 to 10; or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an interest reduction program for owner-occupied single-family dwellings.

(c) These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment *from any district, whether certified before or after August 1, 1979,* shall be used for the acquisition, construction ~~or~~, renovation, operation, or maintenance of a ~~municipally owned~~ building *to be used primarily and regularly for conducting the business of the a municipality, county, school district, or any other local unit of government or the state or federal government.* This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality.

(d) *If a tax increment district is located in a municipality, parts of which are situated in more than one county, the revenue derived from tax increments from parcels located in one county must be expended for the direct and primary benefit of a project located or conducted within that county, unless the county boards of each of the counties involved agree to waive this requirement.*

Sec. 12. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 5, is amended to read:

Subd. 5. [REQUIREMENT FOR AGREEMENTS.] No more than 25 percent, by acreage, of the property to be acquired within a project which contains a redevelopment district, or ten percent, by acreage, of the property to be acquired within a project which contains a housing or economic development district, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 469.178 unless prior to acquisition in excess of the percentages, the authority has concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed. *This subdivision does not apply to a parcel of a district that is a designated hazardous substance site established under section 3 or part of a hazardous substance subdistrict established under section 9.*

Sec. 13. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 6, is amended to read:

Subd. 6. [ACTION REQUIRED.] (a) If, after four years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within

a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original assessed value of that parcel shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the assessed value thereof as most recently certified by the commissioner of revenue and add it to the original assessed value of the tax increment financing district. *The county auditor must enforce the provisions of this subdivision. The authority must by February 1 of the fifth year following the year in which a parcel was certified as included in the district submit to the county auditor evidence that the required activity has taken place for each parcel in the district.*

(b) This subdivision applies to all tax increment districts, whether created before or after August 1, 1979. The subdivision applies to districts created before August 1, 1979 as provided in this paragraph. The four-year period is deemed to begin April 1, 1988, provided that activity on or improvements to a parcel occurring prior to that date qualify the parcel for retention in the district. The authority must submit the evidence of activity or improvements for each parcel to the county auditor, as required by paragraph (a), by June 1, 1992. In the case of a district or a portion of a district for which no tax increment financing plan has been prepared, improvements are deemed to have been commenced "in accordance with the tax increment financing plan" when one of the following conditions is met:

(1) acquisition or improvement of the parcel was financed by the authority with increment revenues or with the proceeds of tax increment bonds or with other funds of the authority after the inclusion of the parcel in the district;

(2) public improvements, excluding sewer and water improvements, were installed or constructed on the parcel or on land adjacent to the parcel after inclusion of the parcel in the district and the improvements were financed with increments or other authority revenues, but excluding general city revenues or special assessments if the authority is the same as the municipality;

(3) construction of the improvements occurred on the parcel and the municipality passes a resolution stating that the improvements or other improvements of approximately equal (or greater) market value would not have occurred if the authority had not undertaken efforts of the type specified in clauses (1) or (2) on other parcels in the district. If the authority submits evidence that (i) at least 60 percent of the parcels, or (ii) parcels comprising at least 60 percent of the geographic area in the district, or (iii) parcels from which is derived at least 60 percent of the captured assessed value of the district, meet the requirements of this paragraph by June 1, 1992, all parcels may remain in the district notwithstanding the provisions of paragraph (a).

(c) In the case of tax increment projects for which certification was requested before August 1, 1979, and for which a defeased bond was outstanding on April 1, 1988, the provisions of paragraphs (a) and (b)

apply as specified in this paragraph. Increments shall continue to be collected from parcels that fail to meet the requirements of paragraphs (a) and (b). The authority or other administering entity shall deposit these increments in a separate account in the debt service or other bond fund to defease bonds outstanding on April 1, 1988, for the project. The amount of funds in the separate account shall not affect or be considered in computation of the amount required to be deposited in the regular debt service fund under the bond resolution, indenture, or other contract. When the sum of the amount in the regular debt service fund and the separate account are sufficient to fully defease the bonds outstanding on April 1, 1988, for the project or when such bonds are fully defeased or paid by refunding or otherwise, increments may no longer be collected from a parcel that does not satisfy the requirements of paragraphs (a) and (b).

Sec. 14. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL ASSESSED VALUE.] Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development district the county auditor shall certify the original assessed value as zero, plus the assessed value, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. *For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after April 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original assessed value of that property shall be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.* The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value assessed by the assessor at the time of the transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4. *For districts approved under section 469.175, subdivision 3, after April 1, 1988, if the assessed value of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, the increase in assessed value must be added to the original assessed value.* Each year the auditor shall also add to the original assessed value of each economic development district an amount equal to the original assessed value for the preceding year multiplied by the average percentage increase in the assessed valuation of all property included in the economic

development district during the five years prior to certification of the district. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

Sec. 15. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 3, is amended to read:

Subd. 3. [TAX INCREMENT, RELATIONSHIP TO CHAPTER 473F]

(a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original assessed value and the current assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current assessed value shall exclude any fiscal disparity commercial-industrial assessed value increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F.08, subdivision 6. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed

value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to ~~part~~ paragraph (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to ~~elause~~ paragraph (a) or (b) shall remain the same for the duration of the district, *except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).*

Sec. 16. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 3a. [PAYMENT TO SCHOOL DISTRICT FOR REFERENDUM LEVY INCREASE.] If a tax increment financing district is located in a school district in which the voters have approved new millage or an increase in millage pursuant to section 124A.03, subdivision 2, the authority must pay to the school district the amount raised by the new or increased millage. The amount to be paid to the school district must be computed as follows:

(1) Subtract the mill rate approved by the voters of the school district pursuant to section 124A.03, subdivision 2, as of June 30, 1988, or the date the tax increment financing district was certified, whichever is later, and still in effect on the date the levy is certified, from the mill rate approved by the voters under that section as of the date the levy is certified. If the result is less than zero, select zero.

(2) Multiply the result in clause (1) by the ratio of the school district's actual levy certified pursuant to section 124A.03, subdivision 2, to its permitted levy under that section.

(3) Multiply the result in clause (2) by the retained captured assessed value of the authority located within that school district as of January 2 of the year in which the levy is certified.

The county auditor must compute the payment required by this subdivision and report the amount to the authority, the school district, and the commissioner of education by March 1 of each year. The payment must be made by November 1 of the year in which the property taxes are payable.

Sec. 17. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 4, is amended to read:

Subd. 4. [PRIOR PLANNED IMPROVEMENTS.] The authority shall, after diligent search, accompany its request for certification to the county auditor pursuant to subdivision 1, or its notice of district enlargement

pursuant to section 469.175, subdivision 4, with a listing of all properties within the tax increment financing district or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 469.175, subdivision 3. The county auditor shall increase the original assessed value of the district by the assessed valuation of the improvements *each improvement* for which the a building permit was issued, excluding the assessed valuation of improvements for which a building permit was issued during the three-month period immediately preceding said approval of the tax increment financing plan, as certified by the assessor.

Sec. 18. Minnesota Statutes 1987 Supplement, section 469.179, is amended to read:

469.179 [EXISTING PROJECTS.]

Subdivision 1. [EXEMPTION.] The provisions of sections 469.174 to 469.178 shall not affect any project for which tax increment certification was requested pursuant to law prior to August 1, 1979, or any project carried on by an authority pursuant to section 469.033, subdivision 5, with respect to which the governing body has by resolution designated properties for inclusion in the district prior to August 1, 1979, except:

- (1) as otherwise expressly provided in sections 469.174 to 469.178; or
- (2) as an authority elects to proceed with an existing district, under the provisions of sections 469.174 to 469.178; or
- (3) that any enlargements of the geographic area of an existing tax increment financing district subsequent to August 1, 1979, shall be accomplished in accordance with and shall subject the property added as a result of the enlargement to the terms and conditions of sections 469.174 to 469.178 as provided in subdivision 2; or
- (4) that beginning with taxes payable in 1980, section 469.177, subdivision 3, clause (b), shall apply to all development districts created pursuant to Minnesota Statutes 1978, chapter 472A, or any special law, prior to August 1, 1979.

Subd. 2. [APPLICATION TO EXISTING DISTRICTS.] If the development or redevelopment activity within the project or district of a tax increment financing project certified prior to August 1, 1979, is extended beyond the scope of activity set forth in the district's redevelopment plan under Minnesota Statutes, chapter 462, or Minnesota Statutes, chapter 472A, if applicable, after April 1, 1988, the authority must with regard to the new activity conform to the provisions of sections 469.174 to 469.178 with the following exceptions.

- (a) Section 469.175, subdivision 3, paragraphs (1) and (5), shall not apply. Furthermore, the provisions of section 473F.02, subdivision 3, shall continue to apply to the entire district, if applicable.
- (b) Section 469.177, subdivision 3, shall not apply.

Sec. 19. Minnesota Statutes 1986, section 475.51, subdivision 5, is amended to read:

Subd. 5. "Assessed value" means the latest valuation for purposes of taxation, as finally equalized, of all property taxable within the municipality

but not including captured assessed value under section 469.174, subdivision 4, or any other law permitting collection of tax increments.

Sec. 20. [CITY OF VIRGINIA TAX INCREMENT FINANCING DISTRICT; PARCELS INCLUDED.]

Redevelopment tax increment financing district No. 1 in enterprise zone development district No. 3 in the city of Virginia, is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to include the following parcels of real property as of June 12, 1984:

- (1) Parcel No. 90-124-245 - Ely 79.2' of Lot 1 and all of Lot 2, Block 3, Olcott Addition;*
- (2) Parcel No. 90-125-247 - Lot 3, Block 3, Olcott Addition; and*
- (3) Parcel No. 90-125-270 - Lot 4, Block 3, Olcott Addition.*

Sec. 21. [ORIGINAL ASSESSED VALUE.]

The original assessed value of the parcels of real property described in section 20 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the original assessed value of those parcels as of June 12, 1984.

Sec. 22. [CAPTURED ASSESSED VALUE.]

The captured assessed value of the parcels of real property described in section 20 is deemed for all purposes under Minnesota Statutes, sections 469.174 to 469.179 to be the increased assessed value of those parcels computed in the manner prescribed by Minnesota Statutes, section 469.177, and in accordance with this act.

Sec. 23. [EFFECTIVE DATE.]

Except as provided otherwise, sections 2, 5, 6, 7, and 17 are effective for districts approved under section 469.175, subdivision 3, after April 1, 1988. Sections 8, 13, 15, and 18 are effective April 1, 1988. The provision of section 11, paragraph (a), relating to restrictions on the expenditure of tax increments from economic development projects is effective for districts approved under section 469.175, subdivision 3, after April 1, 1988. The amendment to clause (c) of section 11 is effective for expenditures after April 1, 1988, except to the extent that the authority had entered into a binding contract before March 31, 1988, to make expenditures prohibited by that section. Section 16 applies to taxes levied in 1988, payable in 1989, and thereafter, as a result of a referendum held after December 31, 1986, and applies to tax increment districts created before or after the date of enactment of this act. Section 19 is effective for bonds issued after March 31, 1988.

Sections 20 to 22 are effective upon its approval by the city council of the city of Virginia and compliance with Minnesota Statutes, section 645.021.

ARTICLE 14

BUDGET RESERVE

Section 1. Minnesota Statutes 1987 Supplement, section 16A.15, subdivision 6, is amended to read:

Subd. 6. [BUDGET AND CASH FLOW RESERVE ACCOUNT.] A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance shall, as authorized from time to

time by law, restrict part or all of the budgetary balance in the general fund for use as the budget and cash flow reserve account. The commissioner of finance on July 1, 1987, shall transfer to the budget and cash flow reserve account the amount necessary to bring the total amount, including any existing balance in the account on June 30, 1987, to \$250,000,000 shall set the reserve at \$300,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541.

Sec. 2. Minnesota Statutes 1987 Supplement, section 16A.1541, is amended to read:

16A.1541 [ADDITIONAL REVENUES; PRIORITY.]

If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money in the following order of priority:

(1) the amount necessary to reduce the property tax levy recognition percent under section 121.904, subdivision 4c, to 24 percent;

(2) the remainder (i) one-half to the greater Minnesota fund, but not to exceed \$120,000,000 and (ii) one-half to the budget and cash flow reserve account until the total amount in the account equals \$550,000,000.

The amounts necessary to meet the requirements of clauses (1) and (2) this section are appropriated from the general fund.

Sec. 3. [REPEALER.]

Laws 1987, chapter 268, article 18, section 5, is repealed.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment.

ARTICLE 15

MISCELLANEOUS

Section 1. Minnesota Statutes 1987 Supplement, 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 licensed 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 on March 15 31, May 15 31, and November 15 30 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. 2. Minnesota Statutes 1986, section 270.70, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY OF COMMISSIONER.] If any tax payable

to the commissioner of revenue or to the department of revenue is not paid when due, such tax may be collected by the commissioner of revenue within five years after the date of assessment of the tax, or if the tax judgment has been filed, within the statutory period of enforcement of a valid tax judgment, by a levy upon all property and rights to property, *including any property in the possession of law enforcement officials*, of the person liable for the payment or collection of such tax (except that which is exempt from execution pursuant to section 550.37) or property on which there is a lien provided in section 270.69. For this purpose, the term "tax" shall include any penalty, interest and costs properly payable. The term "levy" includes the power of distraint and seizure by any means.

Sec. 3. Minnesota Statutes 1986, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the jurisdiction of the probate court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the town or city board of equalization and to the county board of equalization, except for those taxpayers whose original assessments are determined by the commissioner of revenue. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Only the taxes, aids and related matters contained in chapters 60A, 69, 124, 270, 272, 273, 274, 275, 276, 277, 278, 279, 285, 287, 288, 290, 290A, 291, 292, 293, 294, 295, 296, 297, 297A, 297B, 297C, 297D, 298, 299, 299F, 473, 473E, and 477A shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 4. Minnesota Statutes 1986, section 287.21, is amended by adding a subdivision to read:

Subd. 4. [TAX-FORFEITED LAND.] *Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by purchasers of tax-forfeited land, persons who redeem tax-forfeited land, or local units of government that apply for use or purchase of tax-forfeited land.*

Sec. 5. Minnesota Statutes 1987 Supplement, section 295.32, is amended to read:

295.32 [GROSS EARNINGS TAX; ANNUAL RETURN.]

Every telegraph company as defined in section 295.01, subdivision 9, shall file a return with the commissioner of revenue, in such form as the

commissioner shall prescribe, containing a true and just report of its gross earnings derived from business within the state during the preceding calendar year, and make payment of the tax based upon the following percentages of such gross earnings:

for calendar years beginning before December 31, 1989, 6 percent,

for calendar year 1990, ~~4.5~~ 4 percent,

for calendar year 1991, ~~3~~ 2 percent,

for calendar year 1992, ~~1.5~~ percent; and

for calendar years beginning after December 31, ~~1992~~ 1991, exempt.

Such return and payment of the tax due therewith shall be submitted on or before March first of each year, and shall be in lieu of all ad valorem taxes upon the property of such company within the state for the year during which such gross earnings accrued. The provisions of chapter 294 and acts amendatory thereto, shall be applicable to such telegraph companies and to the returns and to the taxes submitted therewith by them.

Sec. 6. Minnesota Statutes 1986, section 296.01, subdivision 6, is amended to read:

Subd. 6. [SPECIAL FUEL.] "Special fuel" means (1) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are delivered into the supply tank of a licensed motor vehicle or into storage tanks maintained by an owner or operator of a licensed motor vehicle as a source of supply for such vehicle; ~~or~~ (2) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, when delivered to a licensed special fuel dealer or to the retail service station storage of a distributor who has elected to pay the special fuel excise tax as provided in section 296.12, subdivision 3; ~~or~~ (3) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used as aviation fuel; (4) *all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used for the purpose of producing and generating power for propelling trains in this state; or* (5) *all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used for the purpose of producing and generating power for propelling barges in this state.*

Sec. 7. Minnesota Statutes 1986, section 296.01, subdivision 19, is amended to read:

Subd. 19. [BULK PURCHASER.] "Bulk purchaser" means any person not principally engaged in buying and selling petroleum products or combustible gases who receives special fuel for storage and subsequent delivery into the supply tank of an aircraft ~~or~~, a licensed motor vehicle, *or a train, or for use for producing and generating power for propelling a barge operated by the person.*

Sec. 8. Minnesota Statutes 1986, section 296.12, subdivision 4, is amended to read:

Subd. 4. [MONTHLY REPORTS; SHRINKAGE ALLOWANCE.] On or before the 23rd day of each month, the persons subject to the provisions of this section shall file in the office of the commissioner at St. Paul, Minnesota, a report in the following manner:

(1) Distributors and special fuel dealers shall report the total number of

gallons delivered to them during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner. Credit for the excise tax due or previously paid on special fuel used by the distributor or special fuel dealer for heating the distributor's or dealer's place of business, or special fuel sold for any purpose other than use in licensed motor vehicles and evidenced by an invoice issued at time of sale, may be allowed in computing the tax liability. The invoice must show the true and correct name and address of the purchaser, and the purchaser's signature. The report shall contain such other information as the commissioner may require.

(2) Distributors and special fuel dealers who have elected to pay the special fuel excise tax on all special fuel delivered into the supply tank of an aircraft or licensed motor vehicle as provided in subdivision 3, shall report the total number of gallons delivered into the supply tank of an aircraft or licensed motor vehicle during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner.

(3) Bulk purchasers shall report and pay the special fuel excise tax on all special fuel purchased by them for storage, during the preceding calendar month. In such cases as the commissioner may permit, credit for the excise tax due or previously paid on special fuel not used in aircraft, *trains, or for producing and generating power for propelling barges*, or licensed motor vehicles, may be allowed in computing tax liability. The report shall contain such other information as the commissioner may require.

(4) In computing the special fuel excise tax due under clauses (1), (2), and (3), a deduction of one percent of the quantity of special fuel on which tax is due shall be made for evaporation and loss.

(5) Each report shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 9. Minnesota Statutes 1986, section 296.14, subdivision 2, is amended to read:

Subd. 2. [CREDIT OR REFUND OF TAX PAID.] The commissioner shall allow the distributor credit or refund of the tax paid on gasoline and special fuel:

(1) Exported or sold for export from the state, other than in the supply tank of a motor vehicle ~~or of~~, an aircraft, *a train, or for producing and generating power for propelling barges*;

(2) Sold to the United States government or to any "cost plus a fixed fee" contractor employed by the United States government on any national defense project;

(3) Sold to another licensed distributor;

(4) Destroyed by accident while in the possession of the distributor;

(5) In error;

(6) Sold for storage in an on-farm bulk storage tank, if the tax was not collected on the sale;

(7) In such other cases as the commissioner may permit, not inconsistent with the provisions of this chapter and other laws relating to the gasoline and special fuel excise taxes.

Sec. 10. Minnesota Statutes 1986, section 296.18, subdivision 1, is amended to read:

Subdivision 1. [GASOLINE OR SPECIAL FUEL USED IN OTHER THAN MOTOR VEHICLES.] Any person who shall buy and use gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles, or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who shall have paid the Minnesota excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a signed claim in writing in the form and containing the information the commissioner shall require and accompanied by the original invoice thereof. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this section for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel so purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of finance. No repayment shall be made unless the claim and invoice shall be filed with the commissioner within one year from the date of the purchase. The postmark on the envelope in which the claim is mailed shall determine the date of filing. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft, *trains, or used for producing and generating power for propelling barges.* Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(2) Gasoline or special fuel used for off-highway business use. "Off-highway business use" means any use by a person in that person's trade, business, or activity for the production of income. "Off-highway business use" does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

Sec. 11. Minnesota Statutes 1986, section 297D.08, is amended to read:
297D.08 [TAX RATE.]

A tax is imposed on marijuana and controlled substances as defined in section 297D.01 at the following rates:

- (1) on each gram of marijuana, or each portion of a gram, \$3.50; and
- (2) on each gram of controlled substance, or portion of a gram, \$200;
or
- (3) on each ~~50~~ ten dosage units of a controlled substance that is not sold

by weight, or portion thereof, \$2,000 \$400.

Sec. 12. Minnesota Statutes 1987 Supplement, section 298.22, subdivision 1, is amended to read:

Subdivision 1. (1) The office of commissioner of iron range resources and rehabilitation is created. The commissioner shall be appointed by the governor under the provisions of section 15.06.

(2) The commissioner may hold such other positions or appointments as are not incompatible with duties as commissioner of iron range resources and rehabilitation. The commissioner may appoint a deputy commissioner. All expenses of the commissioner, including the payment of such assistance as may be necessary, shall be paid out of the amounts appropriated by section 298.28. The compensation of the commissioner shall be set by the legislative coordinating commission and may not exceed the maximum salary set for the commissioner of administration under section 15A.081, subdivision 1.

(3) When the commissioner shall determine that distress and unemployment exists or may exist in the future in any county by reason of the removal of natural resources or a possibly limited use thereof in the future and the decrease in employment resulting therefrom, now or hereafter, the commissioner may use such amounts of the appropriation made to the commissioner of revenue in section 298.28 as are determined to be necessary and proper in the development of the remaining resources of said county and in the vocational training and rehabilitation of its residents, *except that the legislature shall appropriate money from other sources to cover cost overruns awarded to a contractor by an arbitrator in relation to a contract awarded by the commissioner or in effect after July 1, 1985.* For the purposes of this section, "development of remaining resources" includes, but is not limited to, the promotion of tourism.

Sec. 13. Minnesota Statutes 1987 Supplement, section 298.2213, subdivision 3, is amended to read:

Subd. 3. [USE OF MONEY.] The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest set by the Minnesota development board for ~~comparable small business development loans at that time that is three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved.~~

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in section 273.134, and as otherwise provided in this section.

Sec. 14. Minnesota Statutes 1986, section 298.223, is amended to read:

298.223 [TACONITE AREA ENVIRONMENTAL PROTECTION FUND.]

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within a tax relief area defined in section 273.134 that are adversely affected by

the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the iron range resources and rehabilitation board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within a tax relief area defined in section 273.134;

(d) monitoring of mineral industry related health problems among mining employees.

Subd. 2. [ADMINISTRATION.] The taconite environmental protection fund shall be administered by the commissioner of the iron range resources and rehabilitation board. The commissioner shall by September 1 of each year prepare a list of projects to be funded from the taconite environmental protection fund, with such supporting information including description of the projects, plans, and cost estimates as may be necessary. Upon recommendation of the iron range resources and rehabilitation board, this list shall be submitted to the legislative advisory commission for its review. This list with the recommendation of the legislative advisory commission shall then be transmitted to the governor by November 1 of each year. By December 1 of each year, the governor shall approve or disapprove, or return for further consideration, each individual project. Funds for a project may be expended only upon approval of the project by the governor.

The commissioner may submit supplemental projects for approval at any time. Supplemental projects approved by the board must be submitted to the members of the legislative advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by any member is for further review the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 3. [APPROPRIATION.] There is hereby annually appropriated to the commissioner of iron range resources and rehabilitation such funds as are necessary to carry out the projects approved and such funds as are necessary for administration of this section. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the amount annually expended from the fund.

Funds for the purposes of this section are provided by section 298.28, subdivision 11 relating to the taconite environmental protection fund.

Sec. 15. Minnesota Statutes 1986, section 298.28, subdivision 3, is amended to read:

Subd. 3. [CITIES; TOWNS.] (a) 12.5 cents per taxable ton, less any

amount distributed under subdivision 8, and paragraph (b) of this subdivision, must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), *provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census.* The county auditor shall extend the township's or city's levy against the sum of the township's or city's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value in the case of a township and between 50 percent of its January 2, 1980, assessed value and its current assessed value in the case of a city. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply.

Sec. 16. Minnesota Statutes 1986, section 298.75, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] Except as ~~may~~ otherwise be provided, the following words, when used in definitions in this subdivision apply to this section, shall have the meanings herein ascribed to them.

(1) (a) "Aggregate material" ~~shall mean~~ means nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, building stone, crushed rock, limestone, and granite. Aggregate material ~~shall~~ does not include dimension stone ~~and~~, dimension granite, *metallurgical limestone, and dolomite.*

(2) (b) "Person" ~~shall mean~~ means any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) (c) "Operator" ~~shall mean~~ means any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(4) (d) "Extraction site" ~~shall mean~~ means a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) (e) "Importer" ~~shall mean~~ means any person who buys aggregate material produced from a county not listed in paragraph (6) or another state

and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) (f) "County" ~~shall mean~~ means the counties of Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Wilkin, Big Stone, Sibley, Hennepin, Washington, and Ramsey.

Sec. 17. Minnesota Statutes 1986, section 387.212, is amended to read:
387.212 [CONTINGENT FUND.]

The board of county commissioners in any county may create a sheriff's contingent fund and may credit thereto not more than ~~\$3,000~~ \$10,000. The money in such fund may be used for the advancement and reimbursement of expenses of the sheriff and the sheriff's office. Such moneys shall be disbursed by the county treasurer in accordance with rules and regulations prescribed by the board. Any balance remaining at the end of the year shall be transferred to the revenue fund.

Sec. 18. Minnesota Statutes 1987 Supplement, section 469.170, is amended by adding a subdivision to read:

Subd. 5d. [AMENDMENT OF PLANS.] A written multiyear enterprise zone tax credit distribution plan submitted under subdivision 5a, 5b, or 5c, may be amended, provided that an initial amendment may be made no sooner than two years from the date of submission of the original plan, and subsequent amendments may be made no sooner than two years after the most recent prior amendment.

Sec. 19. Minnesota Statutes 1986, section 473.843, subdivision 2, is amended to read:

Subd. 2. [DISPOSITION OF PROCEEDS.] After reimbursement to the department of revenue for costs incurred in administering this section, the proceeds of the fees imposed under this section, including interest and penalties, must be deposited as follows:

(a) one-half of the proceeds must be deposited in the landfill abatement fund established in section 473.844; and

(b) one-half of the proceeds must be deposited in the metropolitan landfill contingency action fund established in section 473.845.

Sec. 20. Minnesota Statutes 1986, section 507.235, subdivision 1, is amended to read:

Subdivision 1. [FILING REQUIRED.] All contracts for deed executed on or after January 1, 1984, shall be recorded within six months in the office of the county recorder or registrar of titles in the county in which the land is situated provided that this period may be extended until October 31 of the year in which the sale occurred if the vendor's or vendee's failure to pay property taxes due in the current year prior to October 15 on a parcel that was subdivided and classified as class 1, class 1b, or class 2a under section 273.13 has prevented filing and recording of the contract under section 272.121.

Sec. 21. Laws 1982, chapter 523, article XI, section 1, is amended to read:

Section 1. [DULUTH; BONDS; PURCHASE OF EQUIPMENT.]

The Duluth city council may by ordinance provide for the annual issuance of general obligation bonds in a principal amount not to exceed \$2,000,000 annually ~~for three years until the date provided by section 33~~ to provide funds to purchase capital equipment for the city. For purposes of this law, "capital equipment" means any equipment having an estimated useful life of at least five years. The issuance of the bonds shall be subject to Minnesota Statutes, Chapter 475, except that no election shall be required except as provided in section 2, or as required by the Duluth City Charter, Section 52.

Sec. 22. Laws 1982, chapter 523, article XI, section 3, is amended to read:

Sec. 3. [LOCAL APPROVAL.]

Sections 1 and 2 are effective the day after compliance with Minnesota Statutes, Section 645.021, Subdivision 3, by the governing body of the city of Duluth but no bonds shall be issued pursuant to this act after April 1, 1985 1990.

Sec. 23. Laws 1986, chapter 441, section 14, is amended to read:

Sec. 14. [APPROPRIATION.]

\$20,000,000 is appropriated to the commissioner of natural resources. Notwithstanding Minnesota Statutes, section 298.293 or 298.294 or any other law, this appropriation is from the corpus of the northeast Minnesota economic protection fund. This money is available only as a loan guarantee for the smelting project using the COREX process and is contingent upon receipt by the commissioner of natural resources of sufficient funding from other sources to complete the project. If the project is approved by the United States department of energy prior to December 31, 1987 1988, this appropriation does not cancel but is available until June 30, 1992, or the project is completed or abandoned, whichever occurs earlier. On July 1, 1992, \$20,000,000 is appropriated from the general fund; ~~to be taken from the proceeds of the taconite occupation tax imposed under Minnesota Statutes, section 298.01,~~ to the commissioner of natural resources to be used only to continue the loan guarantee or to be drawn down to cover a default according to this subdivision. If the general fund appropriation is used to cover a default in the loan, there shall be repaid from the northeast Minnesota economic protection trust fund to the general fund ~~one-half~~ the amount of the default. Payments shall be made in ten equal annual installments, with the first payment made one year from the date of the default. No interest shall be paid on these payments. An amount sufficient to make the repayments is appropriated from the northeast Minnesota economic protection trust fund. The money appropriated from the northeast Minnesota economic protection trust fund shall be spent only in or for the benefit of tax relief areas as defined in Minnesota Statutes, section 273.134.

Sec. 24. [HARDSHIP LOANS.]

Notwithstanding the limitations on the metropolitan council's authority to make hardship loans in Minnesota Statutes, section 473.167, subdivision 2a, paragraph (b), the council may make hardship loans until December 31, 1988, to Washington county to purchase homestead property from and provide relocation assistance to property owners affected by hardship acquisitions incurred because of adoption of the Washington county Big Marine Park master plan. Except as provided in this section, the hardship loans must be made in accordance with Minnesota Statutes, section 473.167,

subdivisions 2 and 2a.

Sec. 25. [REFUNDING BONDS.]

The city of Little Falls in Morrison county, by resolution of its city council, may issue and sell general obligation refunding bonds of the city in a principal amount not exceeding \$3,300,000, the proceeds of which are to be used to refund the city's general obligation tax increment bonds of 1985. The refunding bonds shall be issued and sold in accordance with Minnesota Statutes, chapter 475, except that:

(1) the refunding bonds shall be treated as obligations described in Minnesota Statutes, section 475.58, subdivision 1, paragraph (3);

(2) Minnesota Statutes, section 475.67, subdivision 12, shall not apply;

(3) the amount of bonds issued shall not be included in computing any debt limitation applicable to the city; and

(4) the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

Sec. 26. [APPLICATION OF PROCEEDS OF REFUNDED BONDS.]

The city of Little Falls in Morrison county, by resolution of its city council, may appropriate any of the unexpended proceeds of its general obligation tax increment bonds of 1985, except proceeds held in the debt service fund for the bonds, to any other municipal purpose for which the city could issue its bonds, including the purposes set forth in Minnesota Statutes, section 475.52, subdivision 1 or 2, 429.021, 444.075, or 469.176, subdivision 4. To the extent that the proceeds are appropriated for an improvement for which special assessments are levied or tax increments are collectible, the city shall appropriate the receipts from the special assessments or tax increments, subject to any prior pledge of them to secure other obligations of the city, to the payment of the general obligation tax increment bonds of 1985, or to the payment of any refunding bonds issued pursuant to section 25.

Sec. 27. [CITY OF HERMANTOWN; PROPERTY TAXES ON LAND HELD FOR ECONOMIC DEVELOPMENT.]

Notwithstanding the time limitation contained in Minnesota Statutes 1986, section 272.02, subdivision 5, the holding of property that has been held for seven years as of August 1, 1987, by the city of Hermantown for later resale for economic development purposes is a public purpose under Minnesota Statutes, section 272.02, subdivision 1, clause (7), for a period not to exceed 10 years. This section does not apply if buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements that is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity. This section does not create an exemption from Minnesota Statutes, section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

Sec. 28. [AUTHORIZATION FOR BONDS.]

Ramsey county may issue general obligation bonds in one or more series in an amount not to exceed \$48,800,000, in the aggregate, to finance the repair, restoration, and modernization of the Saint Paul City Hall and Ramsey County Courthouse building. In addition, Ramsey county may issue general obligation bonds in one or more series in an amount not to exceed \$2,000,000, in the aggregate, to finance the restoration of the concourse of the St. Paul union depot as a facility for the exhibition of works of art, the proceeds of which may not be used for that purpose until \$500,000 in operational funding has been committed by nonpublic sources. The bonds shall be issued pursuant to Minnesota Statutes, chapter 475, except that the bonds shall not be subject to its election requirements or debt limits. They shall not be subject to any other debt or tax levy limitations applicable to the county and shall not be considered in calculating amounts subject to any other debt or tax levy limitations. Levies by the county for debt servicing payment for the retirement of the bonds shall be exempt from and disregarded in the calculation of all tax levy limitations applicable to the county.

Sec. 29. [JOINT POWERS AGREEMENT.]

Before the issuance of bonds authorized under section 28, the city and county shall enter into joint powers agreements delineating the powers and responsibilities of each party respecting (i) the repair, restoration, expansion, and modernization of the city hall and county courthouse building; (ii) the normal repair and maintenance of the building, and the determination of proportionate square foot exclusive usage of the building by the county and the city; and (iii) the transfer of ownership or reversionary interests in Lake Owasso residence, the Ramsey county workhouse, Boys Totem Town, Woodview Detention Center, and St. Paul-Ramsey Medical Center and any other property the city and county agree upon.

Sec. 30. [ASSUMPTION OF DEBT.]

Ramsey county is authorized to assume all remaining debt service on bonds issued by the city of Saint Paul for construction of St. Paul-Ramsey Medical Center under Laws 1957, chapter 938, section 6. The obligation authorized to be assumed under this section is not subject to election requirements nor to the debt or tax levy limitations applicable to the county and shall not be considered in calculating amounts subject to any other debt or tax levy limitations. Any levies by the county for debt servicing payment for the retirement of these bonds shall be exempt from all tax levy limitations applicable to the county.

Sec. 31. [APPROPRIATION.]

\$40,750 is appropriated from the metropolitan landfill abatement fund and \$40,750 is appropriated from the metropolitan landfill contingency action fund to the department of revenue for fiscal year 1989 for the purpose of administering section 473.843.

Sec. 32. [TRANSFER.]

Effective June 1, 1988, \$8,500 is transferred from the metropolitan landfill abatement fund and \$8,500 is transferred from the metropolitan landfill contingency action fund to the department of revenue for the purpose of reimbursing the department for costs incurred by the department in administering section 473.843 during fiscal year 1988.

Sec. 33. [EFFECTIVE DATE.]

Sections 1, 2, 5, 11, and 16 are effective July 1, 1988. Section 4 is effective for all instruments recorded after May 31, 1987. Sections 3, 12, 17, 18, 19, and 31 are effective the day following final enactment. Sections 6 to 10 are effective July 1, 1987. Section 20 is effective the day following final enactment.

Sections 21 and 22 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Duluth.

Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), sections 25 and 26 are effective without local approval on the day following final enactment.

Section 27 is effective the day after compliance with Minnesota Statutes, section 645.021 by the city council of Hermantown and terminates effective with taxes levied in 1989, payable 1990.

Sections 28 to 30 are effective the day after filing of certificates of local approval by the governing body of the city of Saint Paul and by the Ramsey county board in compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 16

TECHNICAL CORRECTIONS

Section 1. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 1, is amended to read:

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

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

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

(1) in which the president of the United States, the secretary of agriculture, or the administrator of the small business administration has determined that a disaster exists pursuant to federal law or in which a local emergency has been declared pursuant to section 12.29; and

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

(c) "homestead property" means homestead dwelling that is classified as class 1, *1b* under section 273.13, subdivision 22, paragraph (b), or 2a property or a manufactured home or sectional home used as a homestead and taxed pursuant to section 274.19, subdivision 8, paragraph (b), (c), or (d).

Sec. 2. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP.] (a) Each family farm corporation and each partnership operating a family farm is entitled to *class 1b under section 273.13, subdivision 22, paragraph (b)*, or class 2a assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 2a property or as *class 1b property under section 273.13, subdivision 22, paragraph (b)*, but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

Sec. 3. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [LIMITATION ON HOMESTEAD CLASSIFICATION.] If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1, *class 1b under section 273.13, subdivision 22, paragraph (b)*, or class 2a or the value of the first tier of assessment percentages provided under section 273.13, subdivision 22, or subdivision 23, paragraph (a), or *subdivision 22, paragraph (b)*, is entitled to assessment as a homestead under section 273.13, subdivision 22 or, 23, and the homestead exemption under section 275.081, subdivision 2. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

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

Sec. 4. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The first \$66,000 of market value of an agricultural homestead is valued at 30 percent. The remaining value of class 2a property is assessed at 40 percent of market value.

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed

by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

The tax to be paid on class 2a property and class 1b property under section 273.13, subdivision 22, paragraph (b), used for agricultural purposes, less any reduction received pursuant to sections 273.123 and 473H.10 shall be reduced by 52 percent of the tax. The amount of the reduction shall not exceed \$700.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property is assessed at 40 percent of market value.

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

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

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

Sec. 5. Minnesota Statutes 1986, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF 1B PROPERTY.]

Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), clause (2) or (3), shall file with the commissioner of revenue for each assessment year a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification;

(b) the property owner's household income, as defined in section 290A.03, for the previous calendar year; and

(c) any additional information prescribed by the commissioner.

The declaration shall be filed on or before March 1 of each year to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to section 290A.17.

The commissioner shall provide to the assessor on or before April 1 a listing of the parcels of property qualifying for 1b classification.

Sec. 6. Minnesota Statutes 1987 Supplement, section 273.37, subdivision 2, is amended to read:

Subd. 2. Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, *and distribution lines*, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before the 15th day of November, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

Sec. 7. Minnesota Statutes 1987 Supplement, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental subdivision" means a county, home rule charter city, *or statutory city*.

(b) "Governmental subdivision" also includes any town that receives a distribution from the taconite municipal aid account in the levy year.

Sec. 8. Minnesota Statutes 1987 Supplement, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1988 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to ~~article 5, section 12, or~~ subdivision 3f *or Laws 1987, article 5, section 12, for cities that had a population of less than 5,000 according to the 1980 census and did not receive taconite municipal aid in 1986*, increased by:

(a) a percentage equal to the percentage growth in the implicit price deflator, or three percent, whichever is lesser;

(b) a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived pursuant to subdivision 6;

(c) one-half of the amount levied as a special levy in the previous year for paying the costs of municipal services provided to new private industrial and nonresidential commercial development pursuant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued;

(d) the amount of any permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year, pursuant to section 275.58, subdivisions 1 and 2; and

(e) the amount, if known, equal to the decrease in federal revenue sharing allotment from the levy year to the year in which the levy is payable; otherwise the amount equal to the decrease in federal revenue sharing allotment in the levy year as compared to the previous year if the levy base for the previous year has not been adjusted for a decrease in federal revenue sharing allotment.

Sec. 9. Minnesota Statutes 1987 Supplement, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. [INCOME.] For purposes of this section, "income" means the sum of the following:

(1) the greater of federal adjusted gross income as defined in section 62 of the Internal Revenue Code or zero; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (1) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) 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;

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) 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;

(x) the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code; and

(xi) 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; or deferred compensation plan under section 457 of the Internal Revenue Code has the meaning given it in section 290A.03, subdivision 3.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 5, is amended to read:

Subd. 5. [IMPOSITION OF TAX AFTER 1989.] For taxable years beginning after December 31, 1989, in addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, of:

(1) 40 percent of the tax imposed upon the corporation under section 55(a) of the Internal Revenue Code of 1986, as amended through December 31, 1986, apportioned to Minnesota under section 290.191. In computing the amount of the liability under section 55(a) of the Internal Revenue Code of 1986, the regular federal tax liability under section 55(a)(2) of

the Internal Revenue Code of 1986, must be determined using federal taxable income as modified by sections 290.01, subdivisions 19c and 19d, 290.095, and 290.21, and alternative minimum taxable income under section 56 of the Internal Revenue Code of 1986 must be computed as if the section 290.095 restrictions on net operating losses applied.

~~(2) the amount of tax computed under this chapter without regard to this section.~~

Sec. 11. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 3, is amended to read:

Subd. 3. [MEDICINES; MEDICAL DEVICES.] The gross receipts from the sale of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, therapeutic, and prosthetic devices. *"Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician.*

Sec. 12. Minnesota Statutes 1987 Supplement, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. (a) Except as provided in paragraphs (b) and (c) all revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund.

(b) All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 41A.04, subdivision 3, shall be deposited in the agricultural resource loan guaranty fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty fund shall be reduced by any refunds and by the costs incurred by the department of revenue to administer and enforce the assessment and collection of the taxes.

(c) All revenues, including interest and penalties, derived from the excise and use taxes imposed on sales and purchases included in section 48 52, paragraph (i), clauses (1) and (2), must be deposited by the commissioner of revenue in a separate and special fund, designated as the sports and health club sales tax revenue fund in the state treasury and credited as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 31, subdivision 3, paragraph (b); and

(2) after the requirements of paragraph (a) of this section have been met:

(i) no more than the amounts specifically appropriated to operate and maintain facilities financed under section 8, subdivision 3; must be credited to an amateur athletic facilities account set up for this purpose; and

(ii) the balance must be credited to the general fund.

Sec. 13. Minnesota Statutes 1987 Supplement, section 473F02, subdivision 4, is amended to read:

Subd. 4. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) Class 1, 2a, 4a, 4b, 4c, and 4d property except resorts and property classified under section 273.13, subdivision 25, paragraph (c), clause (5);

(b) and that portion of class 3a, 3b, and 5 property used exclusively for residential occupancy.

Sec. 14. Minnesota Statutes 1987 Supplement, section 475.61, subdivision 3, is amended to read:

Subd. 3. [IRREVOCABILITY.] Tax levies so made and filed shall be irrevocable, except as provided in this subdivision.

In each year when there is on hand any excess amount in the debt redemption fund of a school district at the time the district makes its property tax levies, the amount of the excess shall be certified by the school board to the commissioner of education who shall compute the reduced tax levy, after adjustment for the homestead credit replacement aid paid pursuant to section 273.1394, the agricultural credit replacement aid paid pursuant to section 273.1395, and the tax base adjustment pursuant to section 273.1396. The commissioner of education shall certify the adjusted reduced tax levy to the county auditor and the auditor shall reduce the tax levy otherwise to be included in the rolls next prepared by the amount certified, unless the school board determines that the excess amount is necessary to ensure the prompt and full payment of the obligations and any call premium on the obligations, or will be used for redemption of the obligations in accordance with their terms. An amount shall be presumed to be excess for a school district in the amount that it, together with the levy required by subdivision 1, will exceed 106 percent of the amount needed to meet when due the principal and interest payments on the obligations due before the second following July 1. This subdivision shall not limit a school board's authority to specify a tax levy in a higher amount if necessary because of anticipated tax delinquency or for cash flow needs to meet the required payments from the debt redemption fund.

If the governing body, including the governing body of a school district, in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

Sec. 15. Laws 1987, chapter 268, article 6, section 53, is amended to read:

Sec. 53. [REPEALER.]

Minnesota Statutes 1986, sections ~~13.58~~; 124.2131, subdivision 4; 124.2137; ~~124.2139~~; 124A.031, subdivision 4; 273.112, subdivision 9; 273.115; 273.116; 273.13, subdivisions 26, 27, 28, and 29; 273.1311; ~~273.1315~~; 273.135, subdivision 5; and 273.1391, subdivision 4, are repealed.

Sec. 16. [EFFECTIVE DATE.]

Sections 1 to 8 and 13 to 15 are effective for taxes levied in 1988, payable in 1989, and thereafter. Section 9 is effective for taxable years

beginning after December 31, 1986. Section 11 is effective for sales after May 31, 1987. Section 12 is effective June 12, 1987.

ARTICLE 17

ROBBINSDALE SPECIAL SERVICE DISTRICT

Section 1. [CITY OF ROBBINSDALE SPECIAL SERVICE DISTRICT; DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] For purposes of sections 1 to 10, the terms in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Robbinsdale.

Subd. 3. [SPECIAL SERVICES.] "Special services" means all services rendered or contracted for by the city, including, but not limited to:

(a) the repair, maintenance, operation, and construction of any improvements authorized by section 429.021;

(b) parking services rendered or contracted for by the city; and

(c) any other service provided to the public by the city that is authorized by law or charter.

Special services do not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Subd. 4. [SPECIAL SERVICE DISTRICT.] "Special service district" means a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area.

Subd. 5. [ASSESSED VALUE.] "Assessed value" means the assessed value most recently certified by the county auditor before the effective date of the ordinance or resolution adopted under section 2 or 3.

Subd. 6. [LAND AREA.] "Land area" means the land area in the district that is subject to property taxes.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district. Only property which is classified under section 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the levies and charges imposed by the city on the special service district. Other types of property may be included within the boundaries of the special service district but are not subject to the levies or charges imposed by the city on the special service district. If 50 percent or more of the market value of a parcel of property is classified under section 273.13 as commercial, industrial, or vacant land zoned or designated on a land use plan for commercial or industrial use, or public utility for the current assessment year, then the entire market value of the property is subject to a service charge based on assessed value for purposes of sections 1 to 10. The ordinance shall describe with particularity the area within the city to be included in the district and the special services to be furnished in the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing

shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district will be given opportunity to be heard at the hearing.

Subd. 2. [NOTICE.] Notice of the hearing must be given by publication in at least two issues of the official newspaper of the city. The two publications must be two weeks apart and the hearing must be held at least three days after the last publication. Not less than ten days before the hearing, notice must also be mailed to the owner of each parcel within the area proposed to be included in the district. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. For properties that are tax exempt or subject to taxation on a gross earnings basis in lieu of property tax and are not listed on the records of the county auditor, the owners must be ascertained by any practicable means and mailed notice given them. At the public hearing a person affected by the proposed district may be heard orally in respect to any issues relevant to the proposed district. The hearing may be adjourned from time to time and the ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Sec. 3. [SERVICE CHARGE AUTHORITY; NOTICE AND HEARING REQUIREMENTS.]

Subdivision 1. [HEARING.] Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce the revenues required to provide special services in the district. To determine the appropriate mill rate for a service charge based on assessed value, taxable property or value must be determined without regard to captured or original assessed value under section 469.177. Service charges may not be imposed to finance a special service if the service is ordinarily provided by the city from its general fund revenues unless the service is provided in the district at an increased level. In that case, only an amount to pay for the increased level may be imposed. A service charge may not be imposed on the receipts from the sale of intoxicating liquor, food, or lodging. Before the imposition of service charges in a district, for each calendar year, notice must be given and a hearing must be held under section 2 and notice must also be mailed to any individual or business organization subject to a service charge. For purposes of this section the notice shall also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed service charge;

(2) the estimated cost of improvements to be paid for in whole or in part by service charges imposed under this section, the estimated cost of operating and maintaining the improvements during the first year and completion of the improvements, the proposed method and source of financing the improvements, and the annual cost of operating and maintaining the improvements;

(3) the proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the nature and character of special services to be rendered in the district during the calendar year; and

(4) a statement that the petition requirements of section 8 have either

been met or do not apply to the proposed service charge.

Within six months of the public hearing, the city may adopt a resolution imposing a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section.

Subd. 2. [EXEMPTION OF CERTAIN PROPERTIES FROM TAXES AND SERVICE CHARGES.] *Property exempt from taxation by section 272.02 is exempt from any service charges imposed under sections 1 to 10.*

Subd. 3. [LEVY LIMIT.] *Service charges imposed under sections 1 to 10 are not included in the calculation of levies or limits on levies imposed under law or charter.*

Sec. 4. [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

Boundaries of a special service district may be enlarged only after hearing and notice as provided in sections 2 and 3. Notice must be served in the original district and in the area proposed to be added to the district. Taxable property added to the district is subject to all service charges imposed within the district after the property becomes a part of the district. The petition requirement in section 8 and the veto power in section 9 apply only to owners, individuals, and business organizations in the area proposed to be added to the district.

Sec. 5. [COLLECTION OF SERVICE CHARGES.] *Service charges may be imposed on the basis of the assessed value of the property on which the service charge is imposed, but must be spread only upon the assessed value of the taxable property described in the ordinance. Service charges based on assessed value may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Other service charges imposed must be collected as provided by ordinance. Service charges based on assessed value collected under sections 1 to 10 are not included in computations under section 469.177 or any other law that applies to general ad valorem levies.*

Sec. 6. [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under this act has been entered into or the work has been ordered done by day labor, the governing body of the city may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing. The obligations are payable primarily out of the proceeds of the service charge based on assessed value imposed under section 3, or from any other special assessments or nontax revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the service charge in the district are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations need not be included in determining the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 7. [ADVISORY BOARD.]

The governing body of the city may create and appoint an advisory board for each special service district in the city to advise the governing body in connection with the construction, maintenance, and operation of improvements, and the furnishing of special services in a district. The advisory board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before the adoption of any proposal by the governing body to provide services or impose service charges within the district, the advisory board of the district shall have an opportunity to review and comment upon the proposal.

Sec. 8. [PETITION REQUIRED.]

No action may be taken under section 2 unless owners of 25 percent or more of the land area of the proposed special service district and owners of 25 percent or more of the assessed value of the proposed special service district file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 3 to impose a service charge based on assessed value unless owners of 25 percent or more of the land area subject to a proposed service charge and owners of 25 percent or more of the assessed value subject to a proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 3 to impose any other type of service charge unless 25 percent or more of the individual or business organizations subject to the proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk. If the boundaries of a proposed district are changed or the land area or assessed value subject to a service charge or the individuals or business organizations subject to a service charge are changed after the public hearing, a petition meeting the requirements of this section must be filed with the city clerk before the ordinance establishing the district or resolution imposing the service charge may become effective.

Sec. 9. [VETO POWER OF OWNERS.]

Subdivision 1. [NOTICE OF RIGHT TO FILE OBJECTIONS.] Except as provided in section 10, the effective date of any ordinance or resolution adopted under sections 2 and 3 must be at least 45 days after it is adopted. Within five days after adoption of the ordinance or resolution, a summary of the ordinance or resolution must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner that notice is mailed under section 2. The mailing must include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Subd. 2. [REQUIREMENTS FOR VETO.] If owners of 50 percent or more of the land area in the district subject to the service charge based on assessed value and owners of 50 percent or more of the assessed value in the district subject to the service charge based on assessed value file an objection to the ordinance adopted by the city under section 2 with the city clerk before the effective date of the ordinance, the ordinance does

not become effective. If owners of 50 percent or more of the land area subject to the service charge based on assessed value and owners of 50 percent or more of the assessed value subject to the service charge based on assessed value file an objection to the resolution adopted imposing a service charge based on assessed value under section 3 with the city clerk before the effective date of the resolution, the resolution does not become effective. If 50 percent or more of individuals and business organizations subject to a service charge file an objection to the resolution adopted imposing a service charge under section 3 with the city clerk before the effective date of the resolution, the resolution does not become effective.

Sec. 10. [EXCLUSION FROM PETITION REQUIREMENTS AND VETO POWER.]

The petition requirements of section 8 and the right of owners and those subject to a service charge to veto a resolution in section 9 do not apply to second or subsequent years' applications of a service charge that is authorized to be in effect for more than one year under a resolution that has met the petition requirements of section 8 and which has not been vetoed under section 9 for the first year's application. A resolution imposing a service charge for more than one year must not be adopted unless the notice of public hearing required by section 3 and the notice mailed with the adopted resolution under section 9 include the following information:

(1) in the case of improvements, the maximum service charge to be imposed in any year and the maximum number of years the service charges imposed to pay for the improvement; and

(2) in the case of operating and maintenance services, the maximum service charge to be imposed in any year and the maximum number of years, or a statement that the service charge will be imposed for an indefinite number of years, the service charges imposed to pay for operation and maintenance services.

The resolution may provide that the maximum service charge to be imposed in any year will increase or decrease from the maximum amount authorized in the preceding year based on an indicator of increased cost or a percentage amount established by the resolution.

ARTICLE 18

MINNEAPOLIS NEIGHBORHOODS SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. [TERMS DEFINED.] For the purposes of this article, the terms defined in this section have the meanings given.

Subd. 2. [CITY.] "City" means the city of Minneapolis.

Subd. 3. [SPECIAL SERVICES.] "Special services" means the following services rendered or contracted for by the city:

(1) snow and ice removal;

(2) sweeping and cleaning sidewalks, curbs, gutters, streets, and alleys;

(3) litter, poster, and handbill removal;

(4) construction, repair, operation, and maintenance of sidewalks, curbs, gutters, bus shelters, lighting, benches, chairs, tables, telephone booths, traffic signs, fire hydrants, newsstands, kiosks, trash receptacles, utility

connections, marquees, awnings, canopies, display cases, information booths, and banners;

(5) landscaping, planting, repair, maintenance, and care of trees, shrubs, bushes, flowers, grass, and other decorative materials;

(6) security personnel, equipment, and systems;

(7) approval and supervision of special activities;

(8) insurance; and

(9) administration, coordination, studies, and preparation of designs.

Special services do not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Special service district funds may be used to pay operating costs of a neighborhood business association composed of a majority of owners or operators of businesses located within the district.

Subd. 4. [SPECIAL SERVICE DISTRICT.] "Special service district" or "district" means a defined area within the city where special services are rendered and their cost is paid from revenues collected from service charges imposed within that area.

Subd. 5. [ASSESSED VALUE.] "Assessed value" means the assessed value most recently certified by the county auditor before the effective date of an ordinance or resolution adopted under section 2 or 3.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] Upon receiving a petition from 25 percent or more of the owners of commercial property in an area, the governing body of the city may adopt an ordinance establishing a special service district in any area zoned for commercial, business, or industrial use outside of the area bounded by the Mississippi river and the centerlines of 10th Avenue South, Washington Avenue South, Chicago Avenue South, South 3rd Street, 11th Avenue South, South 6th Street, 5th Avenue South, South 12th Street, 4th Avenue South, East 16th Street, Marquette Avenue South, Grant Street, Willow Street, Harmon Place, Interstate Highway 94, Highway 12, North 12th Street, and 3rd Avenue North; and, south of 28th Street, west of Fremont Avenue South, north of 31st Street, and east of Humboldt Avenue South; and outside any other existing special service district. Only property that is used for commercial, business, or industrial purposes and located in the district may be subject to the charges imposed by the city on the district. Other types of property in the district and property or a portion of a property located within the district and used for residential purposes may receive services but are not subject to the charges imposed by the city on the district. The ordinance shall describe with particularity the area to be included in the district and the special services to be furnished in the district. The ordinance may be adopted only after a public hearing has been held on the question. Notice of the hearing shall include:

(1) the time and place of the hearing;

(2) the boundaries of the area by legal description and by street location where possible; and

(3) a statement that all persons owning property in the proposed district

will be given the opportunity to be heard at the hearing.

Subd. 2. [NOTICE; HEARING.] Notice of the hearing shall be given by publication in two issues of the official newspaper of the city. The two publications shall be a week apart and the hearing shall be held at least three days after the last publication.

Not less than ten days before the hearing, notice shall also be mailed to the owner and property taxpayer of each parcel within the area proposed to be included in the district. For the purpose of giving mailed notice, owners shall be those shown on the records of the county auditor. For properties that are tax exempt or subject to taxation on a gross earnings basis in lieu of property tax and not listed on the records of the county auditor or the county treasurer, the owners shall be ascertained by any practicable means and mailed notice given them. Other records may be used to supply necessary information.

At the public hearing, any person affected by the proposed district may be heard orally in respect to any issues embodied in the notice. The hearing may be adjourned from time to time. The ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 3. [USE OF CITY EMPLOYEES.] If the city determines that any of the special services to be provided are under the jurisdiction of a city public employee bargaining unit, the city shall negotiate with that unit to determine whether that service shall be provided by the city or contracted for with another service provider.

Sec. 3. [RATE OF SERVICE CHARGE; NOTICE AND HEARING REQUIREMENTS.]

Subdivision 1. [HEARING.] Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce revenues required to provide special services within the district. For purposes of determining the appropriate mill rate for a service charge based on assessed value, taxable property or value shall be determined without regard to captured or original assessed value under section 469.177 or to the distribution or contribution value under section 473E08. Service charges shall not be imposed to finance a special service if the service is ordinarily provided by the city from general fund revenues of the city unless the service is provided in the district at an increased level, in which case, a service charge may be imposed only to pay the amount for the increased level of service. A service charge shall not be imposed on the receipts from the sale of intoxicating liquor, food, or lodging. Each calendar year, before the imposition of service charges in a district, notice shall be given and a hearing held as provided by section 2. Notice shall also be mailed to any individual or business organization subject to a service charge. For purposes of this section, the notice shall also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing; and

(2) the proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the estimated cost, nature, and character of special services to be rendered in the district during the calendar year.

Within six months of the public hearing, the city may by resolution impose a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section.

Subd. 2. [EXEMPTION OF CERTAIN PROPERTIES FROM TAXES.] *Property exempted from taxation by Minnesota Statutes, section 272.02, is exempt from any service charge based on assessed value imposed under this article.*

Subd. 3. [SERVICE CHARGE ABATEMENT.] *An individual or business organization subject to the service charge imposed under subdivision 1 may apply to the city for a service charge abatement for that calendar year on the basis of economic hardship. The city may grant the abatement of the service charge for the calendar year if the city determines that an economic hardship exists.*

Sec. 4. [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

Boundaries of a special service district may be enlarged only after hearing and notice as provided by sections 2 and 3. Notice shall be served in the original district and in the area proposed to be added. Property added to the district shall be subject to all service charges imposed within the district after the property becomes a part of the district. On the question of enlargement, the veto power provided by section 10 may be exercised only by owners and individuals and business organizations in the area proposed to be added to the district.

Sec. 5. [COLLECTION OF SERVICE CHARGES]. *Service charges may be imposed on the basis of the assessed value of the property on which the service charge is imposed, but must only be imposed on the property described in the ordinance. Service charges based on assessed value may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Other service charges imposed shall be collected as provided by the ordinance. Service charges based on assessed value imposed under this article are not subject to the provisions of Minnesota Statutes, section 469.177 and chapter 473F.*

Sec. 6. [BONDS.]

At any time after a contract for all or part of an improvement authorized pursuant to this article has been entered into or the work has been ordered done by day labor, the governing body may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred or estimated to be incurred in making the improvement, including every item of cost from the inception to completion and all fees and expenses incurred in connection with the improvement or its financing. The obligations shall be payable primarily out of the proceeds of the service charge imposed under section 3. The governing body may, by resolution adopted before the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the service charge based on assessed value in the special service district are insufficient to pay the principal and interest. Obligations shall be issued in accordance with Minnesota Statutes, chapter 475, except that an election shall not be required and the amount of the obligation shall not be included in determining the net debt of the city under any provision of law or charter that limits debt.

Sec. 7. [LEVY LIMIT.]

Service charges imposed under this article shall be disregarded in the calculation of levies or limits on levies imposed under law or charter.

Sec. 8. [EXPIRATION.]

A special service district established under this article shall expire four years after the date of its establishment unless renewed as provided by section 2. After the expiration or termination of a district, service charges may continue to be imposed in the district to pay the costs of an improvement specified in section 1, subdivision 3, clause (4).

Sec. 9. [ADVISORY BOARD.]

The city council shall create and appoint an advisory board for the special service district to advise the governing body in connection with the furnishing of special services in the district. The advisory board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before adoption of any proposal by the governing body to provide services or impose service charges within the district, the advisory board shall have an opportunity to review and comment upon the proposal. All members of the advisory board shall be property owners, tenants, or residents of the district.

Sec. 10. [VETO POWER OF OWNERS.]

Subdivision 1. An ordinance or resolution adopted pursuant to sections 2 and 3 shall take effect no sooner than 45 days after it is adopted. Within five days after its adoption, a copy shall be mailed to the owner and property taxpayer of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner as notice is mailed under section 2. The mailing shall include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution.

Subd. 2. If owners of at least 35 percent of the land area and owners of at least 35 percent of the assessed value in the district file an objection to the ordinance or resolution adopted by the city pursuant to section 2 with the city clerk before its effective date, the ordinance or resolution shall not take effect. If owners of at least 35 percent of the land area subject to a service charge based on assessed value and owners of at least 35 percent of the assessed value subject to a service charge file an objection to an ordinance or resolution adopted by the city imposing a service charge based on assessed value pursuant to section 3 with the city clerk before its effective date, the ordinance or resolution shall not take effect. If owners of at least 35 percent of the land area subject to a service charge and owners of at least 35 percent of the assessed value in the district subject to a service charge file an objection to the resolution adopted by the city imposing a service charge pursuant to section 3 with the city clerk before its effective date, the resolution shall not take effect.

Sec. 11. [EXCLUSION FROM VETO POWER.]

The right of owners and those subject to a service charge to veto an ordinance or resolution as provided by section 10 does not apply to second or subsequent years' applications of a service charge that is authorized

to be in effect for more than one year. An ordinance or resolution imposing a service charge for more than one year shall not be adopted unless the notice of public hearing required by section 2 and the notice mailed with the adopted ordinance or resolution pursuant to section 10 includes the following information:

(a) In the case of an improvement, the maximum service charge to be imposed in any year and the maximum number of years that the service charges imposed to pay for the improvement.

(b) In the case of operating and maintenance services, the maximum service charge to be imposed in any year and the maximum number of years that the service charges imposed to pay for the operation and maintenance services, or a statement that the service charge will be imposed for an indefinite number of years.

The ordinance or resolution may provide that the maximum service charge to be imposed in any year will increase or decrease from the maximum amount authorized in the preceding year based on an indicator of increased cost or a percentage amount established by resolution.

Sec. 12. [LOCAL APPROVAL.]

This article takes effect the day after the governing body of the city of Minneapolis complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 19

MINNEAPOLIS DOWNTOWN SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. [TERMS DEFINED.] For purposes of sections 1 to 10, the terms in this section have the meanings given them.

Subd. 2. [CITY.] "City" means the city of Minneapolis.

Subd. 3. [PEDESTRIAN MALL.] "Pedestrian mall" means an improvement designed and used primarily for the movement, safety, convenience, and enjoyment of pedestrians, whether or not a part of a street is set apart for a roadway for emergency vehicles, transit vehicles, or private vehicles at some or all times. A pedestrian mall includes related sidewalks, moving sidewalks, curbs, gutters, streets, parks, playgrounds, plazas, recreational facilities, performance areas, bus shelters, transit facilities and vehicles, sound and video systems, overhead and underground radiant heating devices, lighting, benches, chairs, tables, sculpture, telephone booths, traffic signs, fire hydrants, newsstands, kiosks, trash receptacles, utility connections, marquees, awnings, canopies, walls, bollards, chains, paintings, murals, alleys, display cases, fountains, sprinkler systems, restrooms, information booths, aquariums, aviaries, pedestrian tunnels, banners, pedestrian bridges, pedestrian ramps, pedestrian overpasses, pedestrian underpasses, drainage, sewers, and water mains. A pedestrian mall does not include a plaza adjacent to a convention center.

Subd. 4. [SPECIAL SERVICES.] "Special services" means the following services rendered or contracted for by the city:

(a) snow and ice removal;

(b) sweeping and cleaning of sidewalks, curbs, gutters, streets, and alleys;

- (c) litter, poster, and handbill removal;
- (d) construction, repair, operation, and maintenance of pedestrian malls;
- (e) repair and maintenance of capital improvements constructed with funds other than special service district proceeds;
- (f) landscaping, planting, repair, maintenance, and care of trees, shrubs, bushes, flowers, grass, and other decorative materials;
- (g) security personnel, equipment, and systems and coordination of private security, including lighting;
- (h) operation of public transit;
- (i) information and signs relating to parking and vehicle and pedestrian movement at street and skyway levels;
- (j) approval, supervision, and coordination of special activities; and
- (k) administration, coordination, studies, and preparation of designs.

Special services do not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Subd. 5. [SPECIAL SERVICE DISTRICT.] "Special service district" means a defined area within the city where special services are provided or contracted for and the costs of the special services are paid from revenues collected from service charges imposed within that area.

Subd. 6. [ASSESSED VALUE.] "Assessed value" means the assessed value most recently certified by the county auditor before the effective date of an ordinance or resolution adopted under section 2 or 3.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing special service districts in that part of the city bounded by the centerlines of the Mississippi River, 10th Avenue South, Washington Avenue South, Chicago Avenue South, South 3rd Street, 11th Avenue South, South 6th Street, 5th Avenue South, South 12th Street, 4th Avenue South, East 16th Street, Marquette Avenue South, Grant Street, Willow Street, Harmon Place, Interstate Highway 94, Highway 12, North 12th Street and 3rd Avenue North. Only property that is zoned for commercial, business, or industrial purposes or classified as public utility or vacant land and located in the special service district may be subject to the charges imposed by the city on the special service district. The ordinance must specifically describe the area within the city to be included in the district and the special services to be furnished in the district. The ordinance must state the reasons for establishment of a district. The ordinance may not be adopted until after a public hearing has been held on the question.

Subd. 2. [CONTRACTORS.] Notwithstanding any other provision of law or charter to the contrary, the city may provide or contract for services in the district. All hiring by contractors must be done in accordance with the Federal Civil Rights Act of 1964, United States Code, title 21, sections 2000e to 2000e-17; Minnesota Statutes, section 363.03; and the Minneapolis Code of Ordinances, chapters 139 and 141.

Subd. 3. [CITY EMPLOYEES.] Job activities for special services that are under the jurisdiction of any city public employee bargaining unit must be performed by a member of the bargaining unit.

Subd. 4. [NOTICE.] Notice of the hearing must be given by publication in two issues of the official newspaper of the city. Notice of the hearing shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district will be given opportunity to be heard at the hearing. The two publications must be a week apart and the hearing must be held at least three days after the last publication. Not less than ten days before the hearing, notice must also be mailed to the owner of each parcel within the area proposed to be included in the district and subject to service charges. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. For properties that are tax exempt or subject to taxation on a gross earnings basis in lieu of property tax and that are not listed on the records of the county auditor, the owners must be ascertained by any practicable means and mailed notice given them.

Subd. 5. [PETITION; HEARING.] A public hearing may not be held on the establishment of a special service district under section 2 unless owners of at least 15 percent of the land area of the proposed district and the owners of at least 15 percent of the assessed value of the district file a petition with the city clerk requesting the hearing. At the public hearing a person affected by the proposed district may be heard orally in respect to any issues relevant to the proposed district. The hearing may be adjourned from time to time and the ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 6. [LEVEL OF SERVICE.] The governing body of the city shall not transfer the financial burden of citywide services to the district nor discriminate against the district in reductions and increases in citywide services because of the existence of the district. Prior to establishment of a district, the city and the downtown management board, provided in section 8, shall meet to review the level of services in the downtown area in order to assure that downtown is equitably served through the city's normal operating budget. They shall meet each succeeding year prior to the adoption of a budget for the district and prior to imposition of a service charge in the district under section 3.

Sec. 3. [SERVICE CHARGE; NOTICE AND HEARING REQUIREMENTS.]

Subdivision 1. [SERVICE CHARGES.] Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce the revenues required to provide special services in the district. Service charges must be reasonably related to the special services provided. To determine the appropriate mill rate for a service charge based on assessed value, taxable property value must be determined without regard to captured or original assessed value under Minnesota Statutes, section 469.177, or to the distribution or contribution value under Minnesota Statutes, section 473F.08.

Subd. 2. [HEARING; NOTICE.] Before the imposition of service charges in a district, for each calendar year, notice must be given and a hearing must be held under section 2, and notice must also be mailed to any

individual or business organization subject to a service charge. For purposes of this section, the notice shall also include:

(a) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed service charge;

(b) the estimated cost of improvements to be paid for in whole or in part by service charges imposed under this section, the estimated cost of operating and maintaining the improvements during the first year after completion of the improvements, the proposed method and source of financing the improvements, and the annual cost of operating and maintaining the improvements; and

(c) the nature and character of special services to be provided in the district during the calendar year and the proposed service charge to be imposed in the district during the calendar year.

Subd. 3. [ADOPTION OF RESOLUTION.] Within six months of the public hearing, the city may adopt a resolution imposing a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section. The resolution must describe the basis on which a service charge was determined.

Subd. 4. [EXEMPTION OF CERTAIN PROPERTIES.] In addition to the exemptions from service charges under section 2, subdivision 1, property exempt from taxation by Minnesota Statutes, section 272.02, is exempt from any service charges based on assessed value imposed under sections 1 to 9.

Subd. 5. [LEVY LIMIT.] Service charges imposed under sections 1 to 9 are not included in the calculation of levies or limits on levies imposed under law or charter.

Sec. 4. [LIMITATIONS.]

Subdivision 1. [SERVICES EXPENDITURES CAP] Service charges imposed in the special services district in any year for special services specified in section 1, subdivision 4, with the exception of construction under clause (d), must not exceed an amount equal to the funds raised by a levy of three mills on current assessed value in the district under property tax classifications in effect on July 1, 1987.

Subd. 2. [CAPITAL EXPENDITURES CAP] service charges imposed in the special services district in any year for construction of an improvement specified in section 1, subdivision 4, clause (d), must not exceed 50 percent of the total costs of the improvement, including interest, payable in that year. At least 20 percent of the total costs of the project must be specially assessed against benefitted property pursuant to Minnesota Statutes, chapter 429 or 430.

Subd. 3. [VETO OF ESTABLISHMENT.] The effective date of any establishment of a special service district under section 2 must be at least 45 days after it is adopted. Within five days after adoption, a summary of the city council action must be mailed to the owner of each parcel included in the special service district in the same manner that notice is mailed under section 2. The mailing must include a notice that owners have a right to veto the action by filing the required number of objections with the city clerk before the effective date of establishment and that a copy of the action is on file with the city clerk for public inspection. If owners of at least 35 percent of the land area included in the special service district

or owners of at least 35 percent of the assessed value in the district file an objection to the establishment under section 2 with the city clerk before the effective date, the establishment does not become effective. In the event of a veto, no district shall be established during the current city fiscal year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed.

Subd. 4. [VETO OF PEDESTRIAN MALLS.] The effective date of any tax levy or imposition of service charge for construction of an improvement specified in section 1, subdivision 4, clause (d), under section 3 must be at least 45 days after it is adopted. Within five days after adoption, a summary of the city council action must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner that notice is mailed under section 2. The mailing must include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the action by filing the required number of objections with the city clerk before the effective date of the levy or imposition and that a copy of the action is on file with the city clerk for public inspection. If owners of at least 35 percent of the land area subject to a service charge based on assessed value or owners of at least 35 percent of the assessed value subject to the service charge based on assessed value file an objection to the tax levy with the city clerk before the effective date, the service charge based on assessed value does not become effective. If individuals and business organizations subject to at least 35 percent of a service charge file an objection to imposition of the service charge with the city clerk before the effective date, the service charge does not become effective. In the event of a veto, no service charge imposed in the district for a pedestrian mall during the current city fiscal year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed. Service charges may continue to be levied and imposed in the district, regardless of a veto under this subdivision, to pay the costs of construction of an improvement specified in section 1, subdivision 4, clause (d), for which debt has been incurred and a service charge imposed during a prior year.

Subd. 5. [VETO OF SERVICES.] Each year after the fourth year after establishment of a district, the veto provisions of this subdivision apply, except that a veto is not effective until the year following the year of the veto. Four years after establishment of a district, the effective date of any imposition of service charge under section 3 for services specified in section 1, subdivision 4, with the exception of construction under clause (d), must be at least 45 days after it is adopted. Within five days after adoption, a summary of the city council action must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge, in the same manner that notice is mailed under section 2. The mailing must include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the action by filing the required number of objections with the city clerk before the effective date of the imposition, and that a copy of the action is on file with the city clerk for public inspection. If owners of at least 35 percent of the land area subject to a service charge based on assessed value or the owners of at least 35 percent of the assessed value subject to the service charge based on assessed value file an objection to the service charge for services under section 3 with the city clerk before

the effective date, the service charge based on assessed value does not become effective. If individuals and business organizations, subject to at least 35 percent of a service charge file an objection to imposition of the service charge under section 3 with the city clerk before the effective date, the service charge does not become effective. In the event of a veto, no service charge imposed in the district for services during the current city fiscal year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed. Service charges may continue to be imposed in the district, regardless of a veto under this subdivision, to pay the costs of services specified in section 1, subdivision 4, with the exception of construction under clause (d), for which debt has been incurred prior to the filing of a veto.

Sec. 5. [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

Boundaries of a special service district may be enlarged or reduced only after petition, hearing, and notice requirements as provided in sections 2 and 3 are met. Notice must be served in the original district and in any area proposed to be added to the district. Property added to the district is subject to all service charges imposed within the district after the property becomes a part of the district. Property removed is not subject to charges imposed after the property is removed.

Sec. 6. [COLLECTION OF SERVICE CHARGES.] *Service charges may be imposed on the basis of the assessed value of the property on which the service charge is imposed, but must be spread only upon the assessed value of the taxable property described in the ordinance. Service charges based on assessed value may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Other service charges imposed must be collected as provided by ordinance. Service charges based on assessed value collected under sections 1 to 9 are not included in computations under Minnesota Statutes, section 469.177, Minnesota Statutes, chapter 473F, or any other law that applies to general ad valorem levies.*

Sec. 7. [DEBT OBLIGATIONS.]

Subdivision 1. [CERTIFICATES OF INDEBTEDNESS.] *Certificates of indebtedness may be issued for purposes of any work or service authorized pursuant to sections 1 to 9. The certificates shall be payable in not more than five years and be issued on the terms and in the manner determined by the issuer. The obligations are payable out of the proceeds of the tax or charge levied under section 3 in the same way as bonds.*

Subd. 2. [BONDS.] *Obligations may be issued in the amount deemed necessary to defray in whole or in part the expense incurred and estimated to be incurred in making a pedestrian mall improvement authorized under sections 1 to 9, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing. The obligations are payable primarily out of the proceeds of the charge levied under section 3, or from any other special assessments or nontax revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The full faith, credit, and taxing power of the city may, by resolution adopted prior to the sale of obligations, be pledged to assure payment of the principal and interest if the proceeds of the levy in the district are insufficient to pay the principal and interest.*

Subd. 3. [PROCEDURES.] Debt obligations must be issued in accordance with Minnesota Statutes, chapter 475, and the city charter, except that an election is not required under any circumstances, and the amount of the obligations need not be included in determining the net debt of the city.

Sec. 8. [DOWNTOWN MANAGEMENT BOARD.]

The city council shall create and provide for appointment of a downtown management board for the special service district to advise the governing body in connection with the furnishing of special services in a district. The downtown management board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before the adoption of any proposal by the governing body to provide services or impose service charges within the district, the downtown management board of the district shall review and comment upon the proposal. The board may incorporate as a nonprofit corporation under Minnesota Statutes, chapter 317. The board shall have the power to enter into contracts. A majority of members of the board must be property owners or tenants in the district and subject to a service charge. At least one member must be an owner of commercial property.

Sec. 9. [CITY OPTION.]

The city may elect to exercise the powers provided by sections 1 to 8 or the powers provided by general or special law relating to the same subject.

Sec. 10. [EFFECTIVE DATE.]

Sections 1 to 9 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Minneapolis.

ARTICLE 20

STATEWIDE SPECIAL SERVICE DISTRICTS

Section 1. [DEFINITIONS.]

Subdivision 1. [TERMS DEFINED.] For the purposes of this article, the terms defined in this section have the meanings given.

Subd. 2. [CITY.] "City" means a home rule or statutory city located in three or more counties having a population over 40,000.

Subd. 3. [SPECIAL SERVICES.] "Special services" means the following services rendered or contracted for by the city:

(1) snow and ice removal;

(2) sweeping and cleaning sidewalks, curbs, gutters, streets, and alleys;

(3) litter, poster, and handbill removal;

(4) construction, repair, operation, and maintenance of sidewalks, curbs, gutters, bus shelters, lighting, benches, chairs, tables, telephone booths, traffic signs, fire hydrants, newsstands, kiosks, trash receptacles, utility connections, marquees, awnings, canopies, display cases, information booths, and banners;

(5) landscaping, planting, repair, maintenance, and care of trees, shrubs,

bushes, flowers, grass, and other decorative materials;

(6) security personnel, equipment, and systems;

(7) approval and supervision of special activities;

(8) insurance; and

(9) administration, coordination, studies, and preparation of designs.

Special services do not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Special service district funds may be used to pay operating costs of a neighborhood business association composed of a majority of owners or operators of businesses located within the district.

Subd. 4. [SPECIAL SERVICE DISTRICT.] "Special service district" or "district" means a defined area within the city where special services are rendered and their cost is paid from revenues collected from service charges imposed within that area.

Subd. 5. [ASSESSED VALUE.] "Assessed value" means the assessed value most recently certified by the county auditor before the effective date of an ordinance or resolution adopted under section 2 or 3.

Sec. 2. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district in any area of the city. Only property that is used for commercial, business, or industrial purposes or residential property having two or more units, and located in the district may be subject to the charges imposed by the city on the district. Other types of property in the district and property or a portion of a property located within the district and used for residential purposes may receive services but are not subject to the charges imposed by the city on the district. The ordinance shall describe with particularity the area to be included in the district and the special services to be furnished in the district. The ordinance may be adopted only after a public hearing has been held on the question. Notice of the hearing shall include:

(1) the time and place of the hearing;

(2) the boundaries of the area by legal description and by street location where possible; and

(3) a statement that all persons owning property in the proposed district will be given the opportunity to be heard at the hearing.

Subd. 2. [NOTICE; HEARING.] Notice of the hearing shall be given by publication in two issues of the official newspaper of the city. The two publications shall be a week apart and the hearing shall be held at least three days after the last publication.

Not less than ten days before the hearing, notice shall also be mailed to the owner and property taxpayer of each parcel within the area proposed to be included in the district. For the purpose of giving mailed notice, owners shall be those shown on the records of the county auditor. For properties that are tax exempt or subject to taxation on a gross earnings basis in lieu of property tax and not listed on the records of the county auditor or the county treasurer, the owners shall be ascertained by any

practicable means and mailed notice given them. Other records may be used to supply necessary information.

At the public hearing, any person affected by the proposed district may be heard orally in respect to any issues embodied in the notice. The hearing may be adjourned from time to time. The ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 3. [USE OF CITY EMPLOYEES.] If the city determines that any of the special services to be provided are under the jurisdiction of a city public employee bargaining unit, the city shall negotiate with that unit to determine whether that service shall be provided by the city or contracted for with another service provider.

Sec. 3. [RATE OF SERVICE CHARGE; NOTICE AND HEARING REQUIREMENTS.]

Subdivision 1. [HEARING.] Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce revenues required to provide special services within the district. For purposes of determining the appropriate mill rate for a service charge based on assessed value, taxable property or value shall be determined without regard to captured or original assessed value under section 469.177 or to the distribution or contribution value under section 473F08. Service charges shall not be imposed to finance a special service if the service is ordinarily provided by the city from general fund revenues of the city unless the service is provided in the district at an increased level, in which case a service charge may be imposed only to pay the amount for the increased level of service. A service charge shall not be imposed on the receipts from the sale of intoxicating liquor, food, or lodging. Each calendar year, before the imposition of service charges in a district, notice shall be given and a hearing held as provided by section 2. Notice shall also be mailed to any individual or business organization subject to a service charge. For purposes of this section, the notice shall also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing; and

(2) the proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the estimated cost, nature, and character of special services to be rendered in the district during the calendar year.

Within six months of the public hearing, the city may by resolution impose a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section.

Subd. 2. [EXEMPTION OF CERTAIN PROPERTIES FROM TAXES.] Property exempted from taxation by Minnesota Statutes, section 272.02, is exempt from any service charge based on assessed value imposed under this article.

Subd. 3. [SERVICE CHARGE ABATEMENT.] An individual or business organization subject to the service charge imposed under subdivision 1 may apply to the city for a service charge abatement for that calendar year on the basis of economic hardship. The city may grant the abatement of the service charge for the calendar year if the city determines that an

economic hardship exists.

Sec. 4. [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

Boundaries of a special service district may be enlarged only after hearing and notice as provided by sections 2 and 3. Notice shall be served in the original district and in the area proposed to be added. Property added to the district shall be subject to all service charges imposed within the district after the property becomes a part of the district. On the question of enlargement, the veto power provided by section 10 may be exercised only by owners and individuals and business organizations in the area proposed to be added to the district.

Sec. 5. [COLLECTION OF SERVICE CHARGES]. *Service charges may be imposed on the basis of the assessed value of the property on which the service charge is imposed, but must only be imposed on the property described in the ordinance. Service charges based on assessed value may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Other service charges imposed shall be collected as provided by the ordinance. Service charges based on assessed value imposed under this article are not subject to the provisions of Minnesota Statutes, section 469.177 and chapter 473F.*

Sec. 6. [BONDS.]

At any time after a contract for all or part of an improvement authorized pursuant to this article has been entered into or the work has been ordered done by day labor, the governing body may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred or estimated to be incurred in making the improvement, including every item of cost from the inception to completion and all fees and expenses incurred in connection with the improvement or its financing. The obligations shall be payable primarily out of the proceeds of the service charge imposed under section 3. The governing body may, by resolution adopted before the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the principal and interest if the proceeds of the service charge based on assessed value in the special service district are insufficient to pay the principal and interest. Obligations shall be issued in accordance with Minnesota Statutes, chapter 475, except that an election shall not be required and the amount of the obligation shall not be included in determining the net debt of the city under any provision of law or charter that limits debt.

Sec. 7. [LEVY LIMIT.]

Service charges imposed under this article shall be disregarded in the calculation of levies or limits on levies imposed under law or charter.

Sec. 8. [EXPIRATION.]

A special service district established under this article shall expire four years after the date of its establishment unless renewed as provided by section 2. After the expiration or termination of a district, service charges may continue to be imposed in the district to pay the costs of an improvement specified in section 1, subdivision 3, clause (4).

Sec. 9. [ADVISORY BOARD.]

The city council shall create and appoint an advisory board for the special service district to advise the governing body in connection with

the furnishing of special services in the district. The advisory board shall make recommendations to the governing body on the requests and complaints of owners, occupants, and users of property within the district and members of the public. Before adoption of any proposal by the governing body to provide services or impose service charges within the district, the advisory board shall have an opportunity to review and comment upon the proposal. All members of the advisory board shall be property owners, tenants, or residents of the district.

Sec. 10. [VETO POWER OF OWNERS.]

Subdivision 1. An ordinance or resolution adopted pursuant to sections 2 and 3 shall take effect no sooner than 45 days after it is adopted. Within five days after its adoption, a copy shall be mailed to the owner and property taxpayer of each parcel included in the special service district and any individual or business organization subject to a service charge, in the same manner as notice is mailed under section 2. The mailing shall include a notice that owners subject to a service charge based on assessed value and individuals and business organizations subject to a service charge have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution.

Subd. 2. If owners of at least 35 percent of the land area and owners of at least 35 percent of the assessed value in the district file an objection to the ordinance or resolution adopted by the city pursuant to section 2 with the city clerk before its effective date, the ordinance or resolution shall not take effect. If owners of at least 35 percent of the land area subject to a service charge based on assessed value and owners of at least 35 percent of the assessed value subject to a service charge file an objection to an ordinance or resolution adopted by the city imposing a service charge based on assessed value pursuant to section 3 with the city clerk before its effective date, the ordinance or resolution shall not take effect. If owners of at least 35 percent of the land area subject to a service charge and owners of at least 35 percent of the assessed value in the district subject to a service charge file an objection to the resolution adopted by the city imposing a service charge pursuant to section 3 with the city clerk before its effective date, the resolution shall not take effect.

Sec. 11. [EXCLUSION FROM VETO POWER.]

The right of owners and those subject to a service charge to veto an ordinance or resolution as provided by section 10 does not apply to second or subsequent years' applications of a service charge that is authorized to be in effect for more than one year. An ordinance or resolution imposing a service charge for more than one year shall not be adopted unless the notice of public hearing required by section 2 and the notice mailed with the adopted ordinance or resolution pursuant to section 10 includes the following information:

(a) In the case of an improvement, the maximum service charge to be imposed in any year and the maximum number of years that the service charges imposed to pay for the improvement.

(b) In the case of operating and maintenance services, the maximum service charge to be imposed in any year and the maximum number of years that the service charges imposed to pay for the operation and maintenance services, or a statement that the service charge will be imposed

for an indefinite number of years.

The ordinance or resolution may provide that the maximum service charge to be imposed in any year will increase or decrease from the maximum amount authorized in the preceding year based on an indicator of increased cost or a percentage amount established by resolution."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; providing penalties; appropriating money; amending Minnesota Statutes 1986, sections 62C.01, by adding a subdivision; 64B.24; 69.031, subdivision 3; 168.011, subdivisions 4 and 8; 168.012, subdivision 9; 168.013, subdivision 1, and by adding a subdivision; 168.053, subdivision 2; 168.27, subdivision 1; 237.075, subdivision 8; 256.72; 256.81; 256.82, subdivision 1; 256.863; 256.871, subdivision 6; 256.935, subdivision 1; 256.991; 256B.041, subdivisions 5 and 7; 256B.05, subdivision 1; 256B.19, subdivision 2; 256D.03, subdivision 6; 256D.04; 256D.36, subdivision 1; 270.075, subdivision 2; 270.41; 270.70, subdivision 1; 271.01, subdivision 5; 273.05, subdivision 1; 273.061, subdivision 2; 273.112, subdivisions 3 and 6; 273.121; 273.124, subdivisions 1 and 6; 273.1315; 273.40; 275.07, by adding a subdivision; 275.08, by adding subdivisions; 276.06; 277.05; 277.06; 279.01, subdivision 3; 287.21, by adding a subdivision; 290.01, by adding subdivisions; 290.06, by adding a subdivision; 290.39, by adding a subdivision; 290.50, subdivision 3; 290.931, subdivision 1; 290.934, subdivisions 1, 3, and by adding a subdivision; 290A.03, subdivision 7; 296.01, subdivisions 6 and 19; 296.12, subdivision 4; 296.14, subdivision 2; 296.18, subdivision 1; 297.01, by adding a subdivision; 297.03, subdivision 12, and by adding a subdivision; 297.041, subdivision 1; 297.06, subdivisions 1, 2, 3, and by adding a subdivision; 297.08, subdivision 1; 297.12, subdivision 1; 297.35, by adding a subdivision; 297A.15, subdivisions 1 and 5; 297A.16; 297A.17; 297A.21; 297A.25, subdivision 5, and by adding subdivisions; 297A.35, subdivision 1; 297B.01, subdivision 5; 297C.02, subdivision 4; 297C.03, by adding a subdivision; 297C.07; 297D.08; 298.223; 298.28, subdivision 3; 298.75, subdivision 1; 303.03; 329.11; 349.12, subdivision 18, and by adding subdivisions; 349.2121, subdivisions 1, 2, 5, and by adding a subdivision; 349.22, subdivision 1, and by adding subdivisions; 375.192, subdivision 1; 387.212; 393.07, subdivision 2; 473.843, subdivision 2; 473F02, by adding a subdivision; 473F07, subdivisions 4 and 5; 473F08, subdivisions 1, 3, 3a, 5, and 10; 473F10; 475.51, subdivision 5; 477A.011, subdivisions 3, 3a, and by adding subdivisions; 477A.012, by adding a subdivision; 477A.013, by adding a subdivision; 477A.015; 507.235, subdivision 1; Minnesota Statutes 1987 Supplement, sections 16A.15, subdivision 6; 16A.1541; 60A.15, subdivision 1; 60E.04, subdivision 4; 69.021, subdivision 5; 69.54; 124.155, subdivision 2; 124.2139; 124A.02, subdivision 11; 256.01, subdivision 2; 256B.091, subdivision 8; 256B.15; 256B.19, subdivision 1; 256D.03, subdivision 2; 256G.01, subdivision 3; 256G.02, subdivision 4; 256G.04, subdivision 1; 256G.05; 256G.07; 256G.10; 256G.11; 270.485; 272.01, subdivision 2; 272.02, subdivision 1; 272.115, subdivision 4; 273.061, subdivision 1; 273.1102, by adding a subdivision; 273.1195; 273.123, subdivisions 1, 4, and 5; 273.124, subdivisions 8, 11, and 13; 273.13, subdivisions 15a, 22, 23, 24, 25, and 31; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1392; 273.1393; 273.1397, subdivision 2; 273.37, subdivision 2; 274.01, subdivision 1; 275.07, subdivision 1; 275.50, subdivision 2; 275.51, subdivision 3h; 276.04; 279.01, subdivision 1; 290.01,

subdivisions 3a, 4, 5, 7, 19, 19a, 19b, 19c, 19d, 19e, and 20; 290.015, subdivisions 1, 2, 3, and 4; 290.06, subdivisions 2c, 20, and 21; 290.067, subdivisions 1 and 2a; 290.081; 290.092, subdivisions 3, 4, 5, and by adding a subdivision; 290.095, subdivisions 1, 2, 3, and by adding a subdivision; 290.10; 290.17, subdivisions 2 and 4; 290.191, subdivisions 1, 4, 5, 6, and 11; 290.21, subdivisions 3 and 4; 290.34, subdivision 2; 290.35, subdivision 2; 290.37, subdivision 1; 290.371, subdivisions 1, 3, 4, and 5; 290.38; 290.41, subdivision 2; 290.491; 290.92, subdivisions 7 and 15; 290.934, subdivision 2; 290.9725; 290A.03, subdivisions 3, 8, and 15; 290A.06; 290A.19; 295.32; 297.01, subdivisions 7 and 14; 297.03, subdivision 6; 297.11, subdivision 5; 297A.01, subdivision 3; 297A.212; 297A.25, subdivisions 3 and 11; 297A.44, subdivision 1; 297C.04; 298.01, subdivisions 3 and 4; 298.22, subdivision 1; 298.2213, subdivision 3; 299.01, subdivision 1; 349.212, subdivisions 1 and 4; 349.2121, subdivisions 4a and 10; 349.2122; 349.2123; 393.07, subdivision 10; 469.170, by adding a subdivision; 469.174, subdivisions 7, 10, and by adding a subdivision; 469.175, subdivisions 1, 2, 3, 4, and by adding a subdivision; 469.176, subdivisions 1, 4, 5, and 6; 469.177, subdivisions 1, 3, 4, 7, and by adding a subdivision; 469.179; 473.446, subdivision 1; 473F02, subdivision 4; 473F05; 473F06; 473F07, subdivision 1; 473F08, subdivisions 2, 4, and 6; 475.61, subdivision 3; 477A.012, subdivision 1; and 477A.013, subdivisions 1 and 2; Laws 1982, chapter 523, article XI, sections 1 and 3; Laws 1986, chapter 441, section 14; Laws 1987, chapter 268, article 6, sections 53 and 54; proposing coding for new law in Minnesota Statutes, chapters 168; 256; 273; 290; 297; 297C; 298; 349; and 469; repealing Minnesota Statutes 1986, sections 256.965; 273.13, subdivision 30; 290.07, subdivisions 3 and 6; 290.11; 290.12; 290.131; 290.132; 290.133; 290.134; 290.135; 290.136; 290.138; 290.934, subdivision 4; 297A.15, subdivision 2; 297C.03, subdivision 5; 298.401; 299.013; and 477A.011, subdivisions 4, 5, 6, 7a, 10, 11, 12, 13, and 14; Minnesota Statutes 1987 Supplement, sections 256D.22; 273.1102, subdivision 3; 273.13, subdivisions 9 and 15a; 273.1394; 273.1395; 273.1396; 275.081; 275.082; 275.125, subdivision 22; 290.077, subdivision 1; 290.14; 290.21, subdivision 8; 290.371, subdivision 2; 477A.011, subdivision 7; and Laws 1987, chapter 268, article 18, section 5."

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. 1796 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.
1796	1877				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1796 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1796 and insert the language after the enacting clause of S.F. No. 1877, the second engrossment; further, delete the title of H.F. No. 1796 and insert the title of S.F. No. 1877, the second engrossment.

And when so amended H.F. No. 1796 will be identical to S.F. No. 1877, and further recommends that H.F. No. 1796 be given its second reading and substituted for S.F. No. 1877, and that the Senate File be indefinitely postponed.

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

SECOND READING OF SENATE BILLS

S.F. Nos. 1430, 1891 and 2260 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 2524 and 1796 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Dicklich moved that his name be stricken as chief author, shown as a co-author, and the name of Mr. Dahl be shown as chief author to S.F. No. 1838. The motion prevailed.

Mr. Pogemiller moved that his name be stricken as chief author, and the name of Ms. Reichgott be shown as chief author to S.F. No. 1964. The motion prevailed.

Mr. Bertram introduced—

Senate Resolution No. 131: A Senate resolution commending the Pierz Golf Course of Pierz, Minnesota.

Referred to the Committee on Rules and Administration.

Mr. Morse moved that S.F. No. 2174, No. 26 on General Orders, be stricken and re-referred to the Committee on Governmental Operations. The motion prevailed.

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated H.F. No. 2703 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 2703: A bill for an act relating to intoxicating liquor; authorizing the city of Bloomington to issue an on-sale intoxicating liquor license to Midsummer, A Festival of Music.

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 52 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Knutson	Moe, R.D.	Schmitz
Anderson	Diessner	Kroening	Morse	Solon
Belanger	Frank	Langseth	Pehler	Spear
Benson	Frederick	Lantry	Peterson, D.C.	Storm
Berg	Frederickson, D.J.	Larson	Peterson, R.W.	Stumpf
Bernhagen	Frederickson, D.R.	Luther	Piper	Taylor
Bertram	Gustafson	Marty	Pogemiller	Vickerman
Brandl	Hughes	McQuaid	Ramstad	Waldorf
Dahl	Johnson, D.E.	Mehrkins	Reichgott	
Davis	Jude	Metzen	Renneke	
Decker	Knaak	Moe, D.M.	Samuelson	

So the bill passed and its title was agreed to.

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 1595 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 1595: A bill for an act relating to state agencies; returning the control of the Minnesota veterans home to the department of veterans affairs; creating the veterans home board of directors and providing for its powers and duties; providing for the appointment of deputy commissioners and providing for their powers and duties; appropriating money; amending Minnesota Statutes 1986, sections 196.03; 196.05; 198.001; 198.01; 198.022; 198.03; 198.05; 198.065; 198.075; 198.16; 198.161; 198.23; 198.231; 198.261; 198.265; 198.266; 198.31; 198.32; 198.33; and 198.34; proposing coding for new law in Minnesota Statutes, chapters 196 and 198; repealing Minnesota Statutes 1986, sections 196.02, subdivision 3; and 198.06.

Mr. Moe, D.M. moved to amend S.F. No. 1595 as follows:

Page 4, line 21, delete "*members of*"

Page 4, line 22, delete "*congressionally chartered*" and delete "*organizations that have a*"

Page 4, delete line 23

Page 4, line 24, delete "*Minnesota*"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 11 and nays 49, as follows:

Those who voted in the affirmative were:

Berglin	Luther	Merriam	Peterson, D.C.	Piper
Brandl	Marty	Moe, D.M.	Peterson, R.W.	Spear
Gustafson				

Those who voted in the negative were:

Adkins	Davis	Johnson, D.E.	McQuaid	Renneke
Anderson	Decker	Johnson, D.J.	Mehrkins	Samuelson
Belanger	DeCramer	Jude	Metzen	Schmitz
Benson	Dicklich	Knaak	Moe, R.D.	Solon
Berg	Diessner	Knutson	Morse	Storm
Bernhagen	Frank	Kroening	Novak	Stumpf
Bertram	Frederick	Langseth	Pehler	Taylor
Brataas	Frederickson, D.J.	Lantry	Purfeerst	Vickerman
Chmielewski	Frederickson, D.R.	Larson	Ramstad	Wegscheid
Cohen	Freeman	Lessard	Reichgott	

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

Mr. Moe, D.M. then moved to amend S.F. No. 1595 as follows:

Page 1, line 27, delete "*The salary of*"

Page 1, delete line 28

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 32 and nays 30, as follows:

Those who voted in the affirmative were:

Berg	Dicklich	Larson	Novak	Stumpf
Berglin	Frank	Luther	Peterson, D.C.	Taylor
Brandl	Freeman	Marty	Peterson, R.W.	Waldorf
Chmielewski	Johnson, D.J.	Merriam	Piper	Wegscheid
Cohen	Knaak	Moe, D.M.	Pogemiller	
Dahl	Langseth	Moe, R.D.	Spear	
DeCramer	Lantry	Morse	Storm	

Those who voted in the negative were:

Adkins	Davis	Gustafson	McQuaid	Reichgott
Anderson	Decker	Johnson, D.E.	Mehrkens	Renneke
Benson	Diessner	Jude	Metzen	Samuelson
Bernhagen	Frederick	Knutson	Pehler	Schmitz
Bertram	Frederickson, D.J.	Kroening	Purfeerst	Solon
Brataas	Frederickson, D.R.	Lessard	Ramstad	Vickerman

The motion prevailed. So the amendment was adopted.

S.F. No. 1595 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 57 and nays 5, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.J.	Merriam	Samuelson
Anderson	Decker	Jude	Metzen	Schmitz
Belanger	DeCramer	Knaak	Moe, R.D.	Solon
Benson	Dicklich	Knutson	Novak	Storm
Berg	Diessner	Kroening	Pehler	Stumpf
Bernhagen	Frank	Langseth	Peterson, R.W.	Taylor
Bertram	Frederick	Lantry	Piper	Vickerman
Brandl	Frederickson, D.J.	Larson	Pogemiller	Waldorf
Brataas	Frederickson, D.R.	Lessard	Purfeerst	Wegscheid
Chmielewski	Freeman	Luther	Ramstad	
Cohen	Gustafson	McQuaid	Reichgott	
Dahl	Johnson, D.E.	Mehrkens	Renneke	

Those who voted in the negative were:

Berglin	Marty	Moe, D.M.	Peterson, D.C.	Spear
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So the bill, as amended, 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 take up the General Orders Calendar. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Chmielewski in the chair.

After some time spent therein, the committee arose, and Mr. Chmielewski reported that the committee had considered the following:

H.F. Nos. 2029 and 2038, which the committee recommends to pass.

H.F. No. 2192, which the committee recommends to pass with the following amendment offered by Mr. Novak:

Amend H.F. No. 2192, as amended pursuant to Rule 49, adopted by the Senate March 28, 1988, as follows:

(The text of the amended House File is identical to S.F. No. 1876.)

Page 1, line 27, delete "*the provisions*" and insert "*any provision*" and before the comma, insert "*other than section 169.67*"

Page 1, after line 31, insert:

"Sec. 2. Minnesota Statutes 1986, section 169.81, subdivision 2, is amended to read:

Subd. 2. [LENGTH OF VEHICLES.] (a) No single unit motor vehicle, except ~~truck~~ mobile cranes which may not exceed 45 feet, unladen or with load may exceed a length of 40 feet extreme overall dimensions inclusive of front and rear bumpers, except that the governing body of a city is authorized by permit to provide for the maximum length of a motor vehicle, or combination of motor vehicles, or the number of vehicles that may be fastened together, and which may be operated upon the streets or highways of a city; provided, that the permit may not prescribe a length less than that permitted by state law. A motor vehicle operated in compliance with the permit on the streets or highways of the city is not in violation of this chapter.

(b) No single semitrailer may have an overall length, exclusive of non-cargo-carrying accessory equipment, including refrigeration units or air compressors, necessary for safe and efficient operation mounted or located on the end of the semitrailer adjacent to the truck or truck-tractor, in excess of 48 feet, except that a single semitrailer may have an overall length in excess of 48 feet if (1) the distance from the kingpin to the centerline of the rear axle group of the semitrailer does not exceed 41 feet, and (2) if the semitrailer is operated only in a combination of vehicles which does not exceed an overall length of 65 feet. No single trailer may have an overall length inclusive of tow bar assembly and exclusive of rear protective bumpers which do not increase the overall length by more than six inches, in excess of 45 feet. For determining compliance with the provisions of this subdivision, the length of the semitrailer or trailer must be determined separately from the overall length of the combination of vehicles.

(c) No semitrailer or trailer used in a three-vehicle combination may have an overall length, exclusive of non-cargo-carrying accessory equipment, including refrigeration units or air compressors, necessary for safe and efficient operation mounted or located on the end of the semitrailer or trailer adjacent to the truck or truck-tractor, and further exclusive of the tow bar assembly, in excess of 28-1/2 feet. The commissioner may not grant a permit authorizing the movement, in a three-vehicle combination, of a semitrailer or trailer that exceeds 28-1/2 feet, except that the commissioner may renew a permit that was granted before April 16, 1984 for the movement of a semitrailer or trailer that exceeds the length limitation in this paragraph."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 1937, which the committee recommends to pass with the following amendment offered by Mr. Pogemiller:

Page 6, line 25, delete "*a preponderance of the*" and insert "*clear and convincing*"

Page 6, line 26, delete everything after "*the*" and insert "*designated offense may only be established by a felony level criminal conviction.*"

Page 6, delete line 27

Page 8, line 20, after "*All*" insert "*personal*"

Page 8, line 21, delete "*, real and personal,*"

Page 8, line 25, delete "*an activity that is*"

Page 8, line 33, delete "*acts constituting*"

Mr. Freeman requested division of the amendment as follows:

First portion:

Page 8, line 20, after "*All*" insert "*personal*"

Page 8, line 21, delete "*, real and personal,*"

Page 8, line 25, delete "*an activity that is*"

Page 8, line 33, delete "*acts constituting*"

Second portion:

Page 6, line 25, delete "*a preponderance of the*" and insert "*clear and convincing*"

Page 6, line 26, delete everything after "*the*" and insert "*designated offense may only be established by a felony level criminal conviction.*"

Page 6, delete line 27

The question was taken on the adoption of the first portion of the amendment. The motion prevailed. So the first portion of the amendment was adopted.

The question was taken on the adoption of the second portion of the amendment. The motion prevailed. So the second portion of the amendment was adopted.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Moe, R.D. moved that H.F. No. 1749 be taken from the table. The motion prevailed.

H.F. No. 1749: A bill for an act relating to transportation; increasing the tax on gasoline and special fuel to 20 cents per gallon; increasing the share of motor vehicle excise tax revenues dedicated to highways and transit to 35 percent; amending Minnesota Statutes 1986, section 296.02, subdivision

1b; and Minnesota Statutes 1987 Supplement, sections 296.025, subdivisions 2a and 2b; and 297B.09, subdivision 1.

Mr. Peterson, R.W. moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Page 4, line 1, strike "of"

Page 4, line 2, delete "\$30"

Page 4, line 12, strike everything after "dealer"

Page 4, line 13, strike "the dealer or employee" and strike "either private or"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 23 and nays 37, as follows:

Those who voted in the affirmative were:

Beckman	Dicklich	Marty	Pehler	Spear
Berglin	Freeman	Mehrkens	Peterson, D.C.	Taylor
Brandl	Langseth	Merriam	Peterson, R.W.	Vickerman
Chmielewski	Lessard	Moe, D.M.	Piper	
Davis	Luther	Moe, R.D.	Pogemiller	

Those who voted in the negative were:

Adkins	Dahl	Johnson, D.E.	Metzen	Schmitz
Anderson	Decker	Johnson, D.J.	Morse	Solon
Belanger	DeCramer	Jude	Novak	Storm
Benson	Diessner	Knutson	Olson	Stumpf
Berg	Frederick	Laidig	Purfeerst	Waldorf
Bernhagen	Frederickson, D.I.	Lantry	Ramstad	
Bertram	Frederickson, D.R.	Larson	Renneke	
Brataas	Gustafson	McQuaid	Samuelson	

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

Mr. Peterson, R.W. then moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Page 4, line 1, strike "of"

Page 4, line 2, delete "\$30"

Page 7, line 19, delete "\$30" and insert "\$150"

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

Mr. Peterson, R.W. then moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Page 4, line 1, strike "of"

Page 4, line 2, delete "\$30"

Page 7, line 19, delete "\$30" and insert "\$100"

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

Mr. Peterson, R.W. then moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Page 4, line 1, strike "of"

Page 4, line 2, delete "\$30"

Page 7, line 19, delete "\$30" and insert "\$75"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 39, as follows:

Those who voted in the affirmative were:

Beckman	Davis	Marty	Morse	Pogemiller
Berglin	DeCramer	McQuaid	Pehler	Spear
Brandl	Dicklich	Merriam	Peterson, D.C.	Stumpf
Chmielewski	Freeman	Moe, D.M.	Peterson, R.W.	Taylor
Cohen	Luther	Moe, R.D.	Piper	Waldorf

Those who voted in the negative were:

Adkins	Dahl	Johnson, D.J.	Lessard	Renneke
Anderson	Decker	Jude	Mehrkens	Samuelson
Belanger	Diessner	Knaak	Metzen	Schmitz
Benson	Frederick	Knutson	Novak	Solon
Berg	Frederickson, D.J.	Kroening	Olson	Storm
Bernhagen	Frederickson, D.R.	Laidig	Purfeerst	Vickerman
Bertram	Gustafson	Lantry	Ramstad	Wegscheid
Brataas	Johnson, D.E.	Larson	Reichgott	

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

Mr. Mehrkens moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Pages 1 to 4, delete sections 1 and 2

Pages 5 and 6, delete section 4

Pages 6 to 9, delete sections 7 to 11 and insert:

"Sec. 4. Minnesota Statutes 1987 Supplement, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL FUND SHARE.] (a) Money collected and received under this chapter must be deposited in the state treasury and credited to the general fund as follows:

- (1) 65 percent to the general fund;
- (2) 26-1/4 percent to the highway user tax distribution fund for distribution in the same manner as other money in that fund; and
- (3) 8-3/4 percent to the transit assistance fund.

The amounts collected and received shall be credited to the highway user tax distribution fund and the transit assistance fund as provided in this subdivision, and must be transferred from the general fund on July 15 and January 15 of each fiscal year. The commissioner of finance must make each transfer based upon the actual receipts of the preceding six calendar months and include the interest earned during that six-month period. The commissioner of finance may establish a quarterly or other schedule providing for more frequent payments to the transit assistance fund if the commissioner determines it is necessary or desirable to provide for the cash flow needs of the recipients of money from the transit assistance fund. Five percent of the money must be deposited in the highway user tax distribution fund and the transit assistance fund for apportionment as provided in this section. Of the money deposited under this section, 75 percent 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 money must be credited to the transit assistance fund to be appropriated to the commissioner of transportation

for transit assistance within the state and to the regional transit board.

(b) The distributions under this subdivision to the highway user tax distribution fund must be reduced by the amount necessary to fund the appropriation under section 41A.09, subdivision 1. For the fiscal years ending June 30, 1988, and June 30, 1989, the commissioner of finance, before making the transfers required on July 15 and January 15 of each year, shall estimate the amount required to fund the appropriation under section 41A.09, subdivision 1, for the six-month period for which the transfer is being made. The commissioner shall then reduce the amount transferred to the highway user tax distribution fund by the amount of that estimate. The commissioner shall reduce the estimate for any six-month period by the amount by which the estimate for the previous six-month period exceeded the amount needed to fund the appropriation under section 41A.09, subdivision 1, for that previous six-month period. If at any time during a six-month period in those fiscal years the amount of reduction in the transfer to the highway user tax distribution fund is insufficient to fund the appropriation under section 41A.09, subdivision 1 for that period, the commissioner shall transfer to the general fund from the highway user tax distribution fund an additional amount sufficient to fund the appropriation for that period, but the additional amount so transferred to the general fund in a six-month period may not exceed the amount transferred to the highway user tax distribution fund for that six-month period."

Page 9, delete line 11

Page 9, line 12, delete everything before "are" and insert "Sections 1 to 3"

Page 9, line 14, delete "9" and insert "4"

Page 9, delete line 15

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 33 and nays 32, as follows:

Those who voted in the affirmative were:

Anderson	Brataas	Johnson, D.E.	McQuaid	Samuelson
Beckman	Davis	Jude	Mehrkens	Schmitz
Belanger	Decker	Knaak	Metzen	Storm
Benson	Frederick	Knutson	Morse	Taylor
Berg	Frederickson, D.J.	Kroening	Olson	Vickerman
Bernhagen	Frederickson, D.R.	Laidig	Ramstad	
Bertram	Gustafson	Larson	Renneke	

Those who voted in the negative were:

Adkins	Dicklich	Luther	Peterson, D.C.	Spear
Berglin	Diessner	Marty	Peterson, R.W.	Stumpf
Brandl	Freeman	Merriam	Piper	Waldorf
Chmielewski	Johnson, D.J.	Moe, D.M.	Pogemiller	Wegscheid
Cohen	Langseth	Moe, R.D.	Purfeerst	
Dahl	Lantry	Novak	Reichgott	
DeCramer	Lessard	Pehler	Solon	

The motion prevailed. So the amendment was adopted.

CALL OF THE SENATE

Mr. Benson imposed a call of the Senate for the balance of the proceedings on H.F. No. 1749. The Sergeant at Arms was instructed to bring in the absent members.

RECONSIDERATION

Having voted on the prevailing side, Mr. Kroening moved that the vote whereby the Mehrkens amendment to H.F. No. 1749 was adopted on March 29, 1988, be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 43 and nays 22, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Lantry	Novak	Schmitz
Berg	Dicklich	Lessard	Pehler	Solon
Berglin	Diessner	Luther	Peterson, D.C.	Spear
Bertram	Frederickson, D.J.	Marty	Peterson, R.W.	Stumpf
Brandl	Freeman	Merriam	Piper	Vickerman
Chmielewski	Johnson, D.J.	Metzen	Pogemiller	Waldorf
Cohen	Jude	Moe, D.M.	Purförst	Wegscheid
Dahl	Kroening	Moe, R.D.	Reichgott	
Decker	Langseth	Morse	Samuelson	

Those who voted in the negative were:

Anderson	Brataas	Johnson, D.E.	McQuaid	Storm
Beckman	Davis	Knaak	Mehrrens	Taylor
Belanger	Frederick	Knutson	Olson	
Benson	Frederickson, D.R.	Laidig	Ramstad	
Bernhagen	Gustafson	Larson	Renneke	

The motion prevailed. So the vote was reconsidered.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 31 and nays 34, as follows:

Those who voted in the affirmative were:

Anderson	Brataas	Johnson, D.E.	Mehrrens	Storm
Beckman	Davis	Jude	Metzen	Taylor
Belanger	Decker	Knaak	Morse	Vickerman
Benson	Frederick	Knutson	Olson	
Berg	Frederickson, D.J.	Laidig	Ramstad	
Bernhagen	Frederickson, D.R.	Larson	Renneke	
Bertram	Gustafson	McQuaid	Schmitz	

Those who voted in the negative were:

Adkins	Dicklich	Lessard	Pehler	Samuelson
Berglin	Diessner	Luther	Peterson, D.C.	Solon
Brandl	Freeman	Marty	Peterson, R.W.	Spear
Chmielewski	Johnson, D.J.	Merriam	Piper	Stumpf
Cohen	Kroening	Moe, D.M.	Pogemiller	Waldorf
Dahl	Langseth	Moe, R.D.	Purförst	Wegscheid
DeCramer	Lantry	Novak	Reichgott	

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

Mr. Benson moved to amend H.F. No. 1749, the second unofficial engrossment, as follows:

Page 1, after line 19, insert:

"Section 1. Minnesota Statutes 1987 Supplement, section 41A.09, subdivision 5, is amended to read:

Subd. 5. [EXPIRATION.] This section ~~expires July 1, 2000~~ *is repealed on February 16, 1995*, and all money in the fund on that date reverts to the general fund."

Page 6, after line 8, insert:

"Sec. 6. Minnesota Statutes 1986, 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. The amount of the credit for every gallon of fuel-grade alcohol blended with gasoline to produce agricultural alcohol gasoline is as follows:

(a) ~~For the fiscal year ending June 30, 1987, 25 cents.~~

~~(b)~~ On and after July 1, 1987, 20 cents.

(b) On and after January 1, 1991, 10 cents.

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. 7. Minnesota Statutes 1986, section 296.02, subdivision 8, is amended to read:

Subd. 8. [TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE SOLD IN BULK TO GOVERNMENT OR FOR SCHOOL TRANSPORTATION.] A distributor shall be allowed a credit of ~~80~~ 40 cents for every gallon of fuel grade alcohol blended with gasoline to produce agricultural alcohol gasoline which is sold in bulk to the state, local units of government, or for use in the transportation of pupils to and from school-related events in school vehicles. This reduction is in lieu of the reductions provided in subdivision 7."

Page 7, after line 15, insert:

"Sec. 11. Minnesota Statutes 1986, section 296.16, is amended by adding a subdivision to read:

Subd. 1a. [MINIMUM OXYGEN CONTENT.] (a) *Unleaded gasoline with an octane rating of 90 or less may not be sold in this state for use in motor vehicles unless it is a gasoline blend consisting of 3.5 percent oxygen content by weight.*

(b) *The requirement of paragraph (a) applies to the metropolitan area, as defined in section 473.121, on and after January 1, 1991.*

(c) *The requirement of paragraph (a) applies to all statutory and home rule charter cities with a population of 50,000 or more, on and after January 1, 1993.*

(d) *The requirement of paragraph (a) applies to the entire state on and after January 1, 1995.*"

Page 8, after line 35, insert:

"Sec. 14. [RECOMMENDATION OF AN OXYGENATED FUEL.]

By January 1, 1989, the commissioners of the departments of agriculture, transportation, and public service, and the pollution control agency shall recommend to the legislature a specific oxygenated fuel and a formula for combining that fuel with gasoline, to meet the requirement imposed by section 11. In selecting the recommended fuel, the following must be considered:

(1) the goals of improving air quality in Minnesota and meeting federal air quality standards;

(2) the impact of federal legislation imposing a requirement that gasoline be blended with oxygenated fuel;

(3) the possibility of a reduced need for an inspection and maintenance program;

(4) the effect on engine use and wear of the various oxygenated fuels, and the impact of their use on the warranties of motor vehicles, and other gasoline-powered internal combustion engines;

(5) the energy efficiency of the various fuels;

(6) the physical feasibility of blending the fuels with gasoline;

(7) the current and potential availability of each oxygenated fuel from sources in Minnesota;

(8) the effect on the highway user tax distribution fund; and

(9) other relevant matters."

Page 9, after line 9, insert:

"Minnesota Statutes 1986, section 296.02, subdivisions 7 and 8, are repealed effective January 1, 1993."

Page 9, line 14, delete "Section 9 is" and insert "Sections 1, 6, 7, 11, 13, and 14 are"

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 29 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Dahl	Frederickson, D.R.	Larson	Storm
Beckman	Davis	Gustafson	Mehrkens	Taylor
Benson	Decker	Johnson, D.E.	Morse	Vickerman
Berg	DeCramer	Knaak	Pehler	Waldorf
Bernhagen	Frederick	Laidig	Renneke	Wegscheid
Brataas	Frederickson, D.I.	Langseth	Samuelson	

Those who voted in the negative were:

Adkins	Dicklich	Lantry	Moe, R.D.	Purfeerst
Belanger	Diessner	Lessard	Novak	Ramstad
Berglin	Freeman	Luther	Olson	Reichgott
Bertram	Johnson, D.I.	McQuaid	Peterson, D.C.	Schmitz
Brandl	Jude	Merriam	Peterson, R.W.	Solon
Chmielewski	Knutson	Metzen	Piper	Spear
Cohen	Kroening	Moe, D.M.	Pogemiller	Stumpf

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

H.F. No. 1749 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 34 and nays 31, as follows:

Those who voted in the affirmative were:

Berglin	DeCramer	Lessard	Morse	Reichgott
Bertram	Dicklich	Luther	Novak	Schmitz
Brandl	Diessner	Marty	Peterson, D.C.	Solon
Chmielewski	Freeman	Merriam	Peterson, R.W.	Spear
Cohen	Johnson, D.J.	Metzen	Piper	Stumpf
Dahl	Langseth	Moe, D.M.	Pogemiller	Wegscheid
Davis	Lantry	Moe, R.D.	Purfeerst	

Those who voted in the negative were:

Adkins	Brataas	Jude	Mehrkens	Taylor
Anderson	Decker	Knaak	Olson	Vickerman
Beckman	Frederick	Knutson	Pehler	Waldorf
Belanger	Frederickson, D.J.	Kroening	Ramstad	
Benson	Frederickson, D.R.	Laidig	Renneke	
Berg	Gustafson	Larson	Samuelson	
Bernhagen	Johnson, D.E.	McQuaid	Storm	

So the bill passed and its title was agreed to.

RECESS

Mr. Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 2245: Mr. Peterson, R.W.; Ms. Peterson, D.C.; Reichgott; Messrs. DeCramer and Pehler.

H.F. No. 1817: Messrs. Wegscheid, Lessard and Bernhagen.

H.F. No. 1846: Messrs. Diessner, Laidig and Peterson, R.W.

Mr. Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of House Bills.

REPORTS OF COMMITTEES

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

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

H.F. No. 1709: A bill for an act relating to retirement; judges' retirement fund; providing coverage under the combined service annuity, combined service disability benefit, and combined service survivor benefit provisions; requiring the establishment of a bounce-back joint and survivor optional annuity form; amending Minnesota Statutes 1987 Supplement, sections 356.30, subdivision 3; 356.302, subdivision 7; 356.303, subdivision 4; and 490.124, subdivision 11.

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

Amend the report from the Committee on Governmental Operations, adopted by the Senate March 22, 1988, as follows:

Page 6, line 22, delete "*may*" and insert "*does*" and delete "*be*"

Page 6, line 23, delete "*construed to*"

Page 6, line 36, delete "*during*" and insert "*at*"

Page 7, lines 1 and 3, delete "*period of*"

Page 7, line 3, delete "*during*" and insert "*at*" and delete "*shall*"

Page 7, line 4, delete "*become*" and insert "*becomes*"

Page 15, line 1, delete "*calculated in accordance with*"

Page 15, line 2, delete the new language and strike "; and" and insert "*calculated in accordance with section 353.34, subdivision 2.*"

Page 15, line 4, strike the comma and insert a period

Page 15, line 5, strike "*provided, however,*" and delete "*that*"

Page 15, line 7, delete "*, and provided further*" and insert a period

Page 15, line 8, delete "*that*" and delete "*has been*" and insert "*must be*"

Page 15, line 10, delete "*taken in error*"

Page 15, line 11, delete "*deductions taken in error*" and insert "*an erroneous deduction*"

Page 16, line 15, delete "*(1)*" and insert "*the*"

Page 16, line 16, delete "*(2)*"

Page 16, line 17, delete "*(3)*"

Page 16, line 18, delete "*(4)*" and delete "*(5)*"

Page 16, line 19, delete "*(6)*"

Page 16, line 20, delete "*(7)*"

Page 16, line 26, delete "*any*" and insert "*a*"

Page 28, line 13, delete "*shall*" and insert "*must*"

Page 36, line 4, delete "*shall*" and insert "*must*"

Page 36, lines 23 and 34, delete "*8*" and insert "*7*"

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

SECOND READING OF HOUSE BILLS

H.F. No. 1709 was read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Moe, R.D. moved that S.F. No. 1632 be taken from the table. The motion prevailed.

S.F. No. 1632: A bill for an act relating to Ramsey County; authorizing a coordinated erosion and sediment control pilot program.

CONCURRENCE AND REPASSAGE

Mr. Knaak moved that the Senate concur in the amendments by the House to S.F. No. 1632 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1632 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 59 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Knaak	Moe, D.M.	Reichgott
Anderson	Davis	Knutson	Moe, R.D.	Renneke
Beckman	Decker	Kroening	Morse	Samuelson
Belanger	DeCramer	Laidig	Novak	Schmitz
Berg	Diessner	Langseth	Olson	Solon
Berglin	Frederick	Lantry	Pehler	Spear
Bernhagen	Frederickson, D.J.	Luther	Peterson, D.C.	Stumpf
Bertram	Frederickson, D.R.	Marty	Peterson, R.W.	Taylor
Brandl	Freeman	McQuaid	Piper	Vickerman
Brataas	Gustafson	Mehrkens	Pogemiller	Waldorf
Chmielewski	Johnson, D.E.	Merriam	Purfeerst	Wegscheid
Cohen	Jude	Metzen	Ramstad	

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

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Wegscheid moved that S.F. No. 2308, No. 30 on General Orders, be stricken and re-referred to the Committee on Local and Urban Government. The motion prevailed.

Mr. Solon moved that S.F. No. 479, No. 86 on General Orders, be stricken and re-referred to the Committee on Local and Urban Government. The motion prevailed.

Mr. Davis moved that H.F. No. 1761, No. 45 on General Orders, be stricken and re-referred to the Committee on Environment and Natural Resources. The motion prevailed.

MEMBERS EXCUSED

Mr. Taylor was excused from the Session of today from 12:00 to 12:50 p.m. Mr. Wegscheid was excused from the Session of today from 12:00 to 1:45 p.m. Mr. Waldorf was excused from the Session of today from 12:00 to 12:45 p.m. Mr. Mehrkens was excused from the Session of today from 12:00 to 2:15 p.m. Mr. Hughes was excused from the Session of today from

1:30 to 2:45 p.m. and at 8:30 this evening. Mr. Laidig was excused from the Session of today from 4:45 to 5:30 and 7:00 to 8:40 p.m. Mr. Beckman was excused from the Session of today from 7:00 to 9:00 p.m. Mr. Frank was excused from the Session of today at 8:40 p.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 11:00 a.m., Wednesday, March 30, 1988. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate