

SECOND DAY

St. Paul, Minnesota, Thursday, September 28, 1989

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

CALL OF THE SENATE

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

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

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

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

The President declared a quorum present.

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

MEMBERS EXCUSED

Ms. Berglin, Mrs. Brataas, Messrs. Dahl, Davis, Purfeerst and Taylor were excused from the Session of today. Mr. Schmitz was excused from the Session of today from 9:00 to 10:00 a.m.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to inform you that the House of Representatives of the State of Minnesota is now duly organized for the 1989 Special Session pursuant to law.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted September 27, 1989

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Report 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. 1: A bill for an act relating to the financing and operation of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; creating tax exemptions; changing the computation, administration, and payment of aids, credits, and refunds; providing new aids and credits; making technical corrections and clarifications; changing proposed property tax notice provisions; changing levy limits and other local government powers and duties; allowing certain units of local governments to impose taxes; changing tax increment financing provisions; providing that the state will be supplier of gambling equipment; authorizing establishment of an economic development authority in the city of Otsego and in Kandiyohi county; exempting Itasca county from a levy limit penalty and authorizing a special levy; modifying the levy authority of the Red River watershed management district; authorizing an appropriation by Aitkin county; providing for payment of certain aid to the cities of Falcon Heights and Lauderdale; extending the duration of tax increment financing districts in the cities of Moorhead and Chanhassen; exempting a redevelopment district in the city of Minneapolis from certain requirements; granting certain powers to towns; modifying certain bond allocation procedures; authorizing a transfer by the Tower-Soudan school district; requiring studies of state and local finance issues; requiring the governor to recommend spending reductions; setting the amount of the budget reserve; establishing plans and programs to reduce waste generated, recycle waste, develop markets for recyclables, address materials that cause special problems in the waste stream, prevent, control, and abate litter, inform and educate the public on proper waste management; requiring a mechanism to fund certain mental health services; providing procedures for allocating costs of certain human services between the state and county agencies; imposing penalties; appropriating money; amending Minnesota Statutes 1988, sections 3.885, subdivisions 3, 5, and by adding subdivisions; 3.982; 6.62, subdivision 1; 10A.31, subdivision 5; 16A.15, subdivision 6; 18.023, subdivision 8; 60A.14, subdivision 1; 60A.15, subdivision 1; 60A.19, subdivision 6; 110B.15, subdivision 4; 115.34, subdivision 1; 115A.03, subdivision 25a, and by adding subdivisions; 115A.072; 115A.15, subdivision 5, and by adding subdivisions; 115A.46, by adding a subdivision; 115A.48, subdivision 3, and by adding a subdivision; 115A.915; 115A.96, subdivision 2, and by adding a subdivision; 116.07, by adding a subdivision; 116K.04, by adding a subdivision; 124.42, subdivisions 1 and 4; 124.83, subdivision 1; 124A.26, subdivision 1; 129A.06, subdivision 2; 145A.08, subdivision 3; 164.041; 256.736, subdivision 13; 256B.091, subdivision 8; 256B.19, subdivision 1, and by adding a subdivision; 256D.03, subdivision 6; 256G.01, subdivision 3; 256G.05; 256G.07; 256G.10; 256G.11; 270.067, subdivisions 1 and 2; 270.11, subdivision 2; 270.12, subdivision 3, and by adding a subdivision; 270.13; 270.18; 270.77; 270.82; 270.84; 270.85; 270.87; 272.02, subdivision 4, and by adding subdivisions; 272.025, subdivision 1; 272.115, subdivision 1; 273.064; 273.065; 273.111, subdivision 4; 273.123, subdivisions 4, 5, and 7; 273.13, subdivisions 21a, 24, 25, 31, and by adding subdivisions; 273.1392; 273.1398, subdivisions

2, 3, and by adding subdivisions; 273.33, subdivision 2; 273.37, subdivision 2; 274.14; 275.065, subdivisions 1, 3, 4, 6, 7, and by adding subdivisions; 275.07, subdivision 1, and by adding a subdivision; 275.08, subdivisions 2 and 3; 275.124; 275.15; 275.16; 275.29; 275.50, subdivision 5; 275.51, subdivisions 3f, 3h, 3i, 3j, 4, 6, and by adding a subdivision; 275.58, subdivisions 2 and 3; 276.01; 276.04, subdivisions 2 and 3; 276.09; 276.10; 276.11, subdivision 1; 277.01, subdivision 1; 277.02; 277.05; 277.06; 277.13; 284.28, subdivisions 4 and 7; 287.29; 290.01, subdivision 29; 290.02; 290.05, subdivisions 1 and 2; 290.06, subdivisions 1, 21, and by adding a subdivision; 290.067, subdivision 2, and by adding a subdivision; 290.091, subdivision 2, and by adding a subdivision; 290.095, subdivision 2, and by adding a subdivision; 290.17, by adding a subdivision; 290.21, subdivision 4; 290.35, subdivisions 1, 4, and by adding a subdivision; 290.37, subdivision 1; 290.38; 290.92, subdivision 21, and by adding a subdivision; 290.934, subdivision 3a; 290A.04, subdivisions 2, 2h, 3, and by adding a subdivision; 290A.07, subdivision 2a; 295.34, subdivision 1; 297A.01, subdivision 3; 297A.02, subdivision 2; 297A.15, subdivision 5; 297A.25, subdivision 3, and by adding a subdivision; 297A.257, subdivision 1; 297A.39, by adding a subdivision; 298.01, by adding subdivisions; 298.28, subdivisions 6 and 12; 298.282, subdivision 3; 298.39; 298.396; 325E.115, subdivision 1; 349.12, subdivision 19, and by adding subdivisions; 349.16, by adding a subdivision; 349.212, subdivisions 1, 2, 4, and by adding a subdivision; 349.2127, subdivision 4, and by adding a subdivision; 353A.10, subdivision 3; 360.037, subdivision 2; 368.01, subdivision 14; 373.40, subdivisions 1 and 2; 375.18, by adding a subdivision; 386.015, subdivision 5; 400.08, by adding a subdivision; 412.221, subdivision 22; 414.01, subdivision 15; 444.075, subdivisions 1 and 4; 444.16; 444.17; 444.18; 444.19; 444.20; 447.34, subdivision 1; 447.35; 465.73; 469.167, subdivision 2; 469.171, subdivision 7, and by adding a subdivision; 469.174, subdivisions 10, 16, 17, and by adding a subdivision; 469.175, by adding a subdivision; 469.176, by adding a subdivision; 469.177, subdivisions 6 and 10; 469.190, subdivisions 2 and 3; 471.572, subdivision 2; 471.74, subdivision 2; 471A.03, subdivision 4; 473.149, subdivision 1; 473.167, subdivision 4; 473.249, subdivision 2; 473.446, subdivision 8; 473.711, subdivision 5; 473.803, subdivision 1; 473.87; 473E05; 473E06; 473E07, subdivisions 1, 2, and 5; 473E08, subdivisions 3, 3a, 5, and by adding a subdivision; 473E09; 473H.10, subdivision 3; 474A.061, subdivisions 1, 2, and 4; 474A.091, subdivisions 2 and 3; 475.74; 475.754; 477A.011, subdivisions 1a, 3, 3a, 20, and by adding subdivisions; 477A.012, by adding subdivisions; 477A.013, subdivision 3, and by adding subdivisions; 508.75; 508.76; 508.77; 508.78; 508.79; 508.82; 508A.76; 508A.77; 508A.78; 508A.79; 508A.82; Minnesota Statutes 1989 Supplement, sections 16A.1541; 115A.12, subdivision 1; 115A.46, subdivision 2; 121.904, subdivisions 4a and 4e; 124.2131, subdivision 1; 124.243, subdivision 3; 124.244, subdivision 2; 124.83, subdivision 4; 124A.03, subdivision 2; 124A.23, subdivision 1; 256.82, subdivision 1; 256.871, subdivision 6; 256.935, subdivision 1; 256B.041, subdivision 5; 256D.03, subdivision 2; 256D.051, subdivision 6; 256D.36, subdivision 1; 256G.02, subdivision 4; 270.12, subdivision 2; 272.02, subdivision 1; 273.061, subdivision 1; 273.1104, subdivision 2; 273.119, subdivision 2; 273.124, subdivision 6; 273.13, subdivisions 22 and 23; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1398, subdivisions 1, 5, and 6; 275.07, subdivision 3; 275.125, subdivisions 5, 5b, and 9; 275.14; 275.28, subdivision 1; 275.58, subdivision 1; 287.12; 290.01, subdivision 19c; 290.015, subdivisions 3 and 4; 290.05, subdivision 3;

290.0802, subdivision 1; 290.17, subdivision 2; 290.191, subdivision 6; 290.92, subdivision 4b; 297A.25, subdivisions 11 and 16; 297A.44, subdivision 1; 298.282, subdivision 2; 349.12, subdivision 11; 349.15; 349.161, subdivision 1; 349.163, subdivision 3; 349.19, subdivision 6; 349.214, subdivision 2; 357.021, subdivision 1a; 373.40, subdivision 6; 412.251; 426.04; 469.033, subdivision 6; 469.174, subdivision 7; 469.175, subdivisions 3 and 7; 469.176, subdivisions 1 and 6; 469.190, subdivision 1; 471.1921; 473.882, subdivision 3; and 477A.013, subdivision 1; Laws 1976, chapter 162, section 1, as amended; Laws 1986, chapter 399, article 1, section 1; Laws 1987, chapter 268, article 6, section 54, as amended; 1988, chapter 719, article 1, section 22; and article 12, section 29, as amended; Laws 1989, chapter 282, article 5, section 133; chapter 329, article 1, section 17, subdivision 2; article 2, section 8, subdivision 2; and article 5, section 21, subdivisions 2 and 3; and chapter 335, article 3, sections 54, subdivision 8; and 58, as amended; proposing coding for new law in Minnesota Statutes, chapters 3; 16B; 115A; 124; 173; 256; 273; 274; 290; 290A; 297A; 325E; 349; 469; and 473; repealing Minnesota Statutes 1988, sections 3.981; 3.983, as amended; 134.34, subdivision 6; 245.775; 270.81, subdivision 5; 273.135, subdivision 2a; 273.1391, subdivision 2a; 275.065, subdivisions 2 and 5; 275.11; 275.50; 275.51; 275.54; 275.55; 275.56; 275.561; 275.58; 290.092, subdivision 5; 349.2121, subdivision 4; 471A.04; 477A.011, subdivision 24; 477A.013, subdivision 4.

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

Page 4, line 8, after the comma, insert "*will contribute to fairer distribution of tax burden among individuals based upon ability to pay,*"

Page 6, line 16, after "*subdivisions*" insert "*and income disparities among individuals*"

Page 6, line 18, delete "*rates*" and insert "*levels*"

Page 8, line 35, after the comma, insert "*relationship of local taxes to individuals' ability to pay,*"

Page 11, after line 35, insert:

"(7) the effect of the state aid or mandate on the distribution of tax burdens among individuals, based upon ability to pay;"

Page 11, line 36, delete "(7)" and insert "(8)"

Page 12, line 2, delete "(8)" and insert "(9)"

Page 12, line 4, delete "(9)" and insert "(10)"

Page 12, line 6, delete "(10)" and insert "(11)"

Page 20, line 36, delete "5.1" and insert "5.06"

Page 21, line 14, delete "3.65" and insert "3.6"

Page 22, line 2, delete "3.65" and insert "3.6"

Page 22, line 24, delete "3.05" and insert "3.0"

Page 22, lines 25 to 27, delete the new language

Page 27, lines 21, 26, and 33, delete "5.1" and insert "5.06"

Page 27, line 33, after "*shall*" insert "*identify and*"

Page 27, line 35, after "aid" insert "over the amount of expenditures for homestead and agricultural credit aid provided in this act"

Page 27, line 36, after the period, insert "At that time, the governor may propose alternative programs other than homestead and agricultural credit aid to prevent other taxpayers' taxes from increasing as a result of the governor's recommended increase in the phase-in percentage."

Page 28, line 5, delete "5.1" and insert "5.06"

Page 28, line 8, before the period, insert "provided that the governor may recommend an alternative phase-in percentage for taxes payable in 1991"

Page 31, after line 21, insert:

"Sec. 10. [STUDY OF FARM CLASS RATES.]

The department of revenue shall study the effect of the changes in class rates that apply to farm homesteads for taxes payable in 1990, 1991, 1992, and thereafter that are enacted in this act.

The commissioner of revenue shall report the findings of the study by February 12, 1990, to the chairs of the house of representatives committee on taxes, the senate committee on taxes and tax laws, the house of representatives committee on agriculture, and the senate committee on agriculture and rural development."

Renumber the sections of article 2 in sequence

Page 49, line 32, after "payable" insert ", except that for class 3 utility real and personal property the class rate applied shall be 5.38 percent"

Page 53, line 2, delete everything after the first "costs"

Page 53, line 3, delete everything before the semicolon

Page 53, line 4, delete the first "and" and insert a comma

Page 53, line 5, delete everything after the first "costs"

Page 53, line 6, delete "256B.19"

Page 54, line 10, delete "1989" and insert "1988"

Page 55, line 10, delete "124A.25" and insert "124A.23"

Page 55, line 12, delete "subdivision 5" and insert "subdivisions 5 and 5c"

Page 56, after line 9, insert:

"(e) Payments under this subdivision to cities and towns shall be annually reduced by the amount of the homestead and agricultural credit aid adjustment, if any, determined for 1990 under section 477A.013, subdivision 6."

Page 60, line 12, delete "April" and insert "January" and delete "human services" and insert "finance"

Page 60, line 13, after the second "the" insert "estimated"

Page 62, after line 2, insert:

"Sec. 23. Minnesota Statutes 1989 Supplement, section 275.07, subdivision 3, is amended to read:

Subd. 3. The county auditor shall adjust each local government's levy

certified under subdivision 1 by the amount of homestead and agricultural credit aid certified by section 273.1398, subdivision 2, *reduced by the amount under section 273.1398, subdivision 5a*. If a local government's homestead and agricultural credit aid was further allocated between portions of its levy pursuant to section 273.1398, subdivision 2, paragraph (b)(2), the levy or fund to which the homestead and agricultural credit aid was allocated is the levy or fund which must be adjusted."

Page 62, line 27, delete "state treasurer" and insert "commissioner of revenue"

Page 63, line 8, delete "state treasurer" and insert "commissioner of revenue"

Page 68, line 22, before "July" insert "January 1 and"

Page 68, line 27, after the period, insert "Each of the two appropriations shall equal one-half of the certified amount."

Page 69, line 2, delete "25" and insert "26" and delete "27" and insert "28"

Page 69, line 5, delete "28 to 31" and insert "29 to 32" and delete "33" and insert "34"

Page 69, line 26, delete "23 and 24" and insert "24 and 25"

Page 69, line 28, delete "26" and insert "27"

Page 69, line 30, delete "32" and insert "33"

Renumber the sections of article 3 in sequence

Page 71, line 29, after "5." insert "(1)"

Page 71, line 32, before the period, insert "*plus (2) a city's levy on the fiscal disparities distribution under section 473F.08, subdivision 3, paragraph (a), for taxes payable in 1989*"

Page 72, line 35, delete "October" and insert "July"

Page 73, line 5, after "under" insert "this"

Page 73, line 6, delete "477A.015"

Page 73, line 9, after "under" insert "this" and delete "477A.015"

Page 74, line 11, strike "and subsequent years"

Page 74, line 15, after the period, insert "*In calendar year 1991 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .008 shall receive a distribution equal to the amount it received in 1990 under this subdivision less the amount deducted in 1989 under section 477A.013, subdivision 6.*"

Page 76, line 36, delete "first from the"

Page 77, delete line 1

Page 77, line 2, delete "subdivision 3, and if any still remains then"

Page 77, after line 4, insert:

"An increase in a city's property tax levy for taxes payable in 1990 attributable to the amount deducted from the city's aids under this subdivision is exempt from the city's per capita levy limit under section 275.11

and from the city's percentage of market value levy limit under section 412.251 or 426.04."

Page 89, line 13, delete *“, up to the”*

Page 89, line 14, delete *“12 percent maximum allowable increase.”*

Page 90, line 31, delete *“and subsequent years”*

Page 91, line 13, after *“be”* insert *“further”*

Page 91, line 16, after *“state”* insert *“less 50 percent of the amount of fines collected by the courts during calendar year 1989”*

Page 92, line 5, after *“referees”* insert *“and the expenses of law clerks and court reporters as authorized in Laws 1989, chapter 335, article 3, sections 17 and 26,”*

Page 93, after line 32, insert:

“For taxes levied in 1989, the adjusted levy limit base is reduced by an amount equal to the estimated amount of the reduction in aids to a county under sections 273.1398, subdivision 2, paragraph (d), and 477A.012, subdivision 3, for aids payable in 1990.”

Page 95, after line 24, insert:

“(d) A county may appeal to the commissioner of revenue for an increase in its levy base for the 12 or 15 percent limit under section 275.50, subdivision 5, clause (u), item (i) for the portion of the amount of its payable 1989 special levy under Minnesota Statutes 1988, section 275.50, subdivision 5, clause (a) for the income maintenance programs that was actually used to finance social services and social services administration subject to the 18 percent limit under Minnesota Statutes 1988, section 275.50, subdivision 5, clause (a) for payable 1989. If the county can provide evidence satisfactory to the commissioner in support of this claim, the commissioner may permit the county to increase its levy base for the 12 or 15 percent limit under section 275.50, subdivision 5, clause (u), item (i) in the amount determined by the commissioner. The commissioner's decision is final.”

Page 121, line 23, after *“45,”* insert *“and”* and delete *“, and 50”*

Page 125, line 28, delete *“26.2”* and insert *“26.3”*

Page 126, line 2, delete *“\$848,000,000”* and insert *“\$845,000,000”*

Page 126, line 30, after the comma, insert *“the taconite levy reduction limit according to section 275.125, subdivision 9, had been 10.22 percent of adjusted gross tax capacity,”*

Page 127, line 1, after *“percent”* insert *“, the taconite levy reduction limit according to section 275.125, subdivision 9, had been 10.22 percent of adjusted net tax capacity,”*

Page 127, line 28, delete *“\$65,409,000”* and insert *“\$66,700,000”*

Page 128, line 31, strike *“a gross tax”*

Page 128, line 32, strike *“capacity rate of”* and delete *“6.76”* and strike *“percent times the adjusted gross tax”*

Page 128, line 33, strike *“capacity for taxes payable in 1990 or”*

Page 128, line 34, delete *“9.25”* and insert *“6.82”*

Page 128, line 35, strike "1991" and insert "1990"

Page 129, after line 30, insert:

"Sec. 11. Minnesota Statutes 1988, section 275.125, subdivision 18, is amended to read:

Subd. 18. [NOTICE OF CERTIFIED LEVIES.] By ~~November 4~~ *September 15* of each year each district shall notify the commissioner of education of the *proposed levies certified* in compliance with the levy limitations of this section and ~~chapter~~ *chapters 124 and 124A. By January 15 of each year each district shall notify the commissioner of education of the final levies certified.* The commissioner of education shall prescribe the form of ~~this notification~~ *these notifications.*"

Page 129, line 35, delete "\$1,231,617,000" and insert "\$1,237,064,000"

Page 129, line 36, delete "\$1,598,935,000" and insert "\$1,600,994,000"

Page 130, line 2, delete "\$1,056,793,000" and insert "\$1,062,240,000"

Page 130, line 4, delete "\$1,421,046,000" and insert "\$1,423,105,000"

Page 130, line 6, delete "\$279,547,000" and insert "\$285,744,000"

Page 130, line 13, delete "\$113,850,000" and insert "\$114,157,000"

Page 130, line 17, delete "\$99,872,000" and insert "\$100,179,000"

Page 130, line 19, delete "\$20,004,000" and insert "\$20,452,000"

Page 130, line 27, delete "\$67,747,000" and insert "\$67,844,000"

Page 130, line 30, delete "\$61,782,000" and insert "\$61,879,000"

Page 130, line 32, delete "\$13,702,000" and insert "\$13,957,000"

Page 131, line 4, delete "\$33,874,000" and insert "\$33,922,000"

Page 131, line 7, delete "\$30,891,000" and insert "\$30,939,000"

Page 131, line 9, delete "\$6,851,000" and insert "\$6,978,000"

Page 131, delete lines 22 to 30 and insert "If this representation is made by the school board, the election shall be subject to contest under Minnesota Statutes, chapter 209, and the court may invalidate the election results."

Sec. 18. [ADJUSTED GROSS TAX CAPACITY.]

For purposes of computing 1989 payable 1990 school district levies under Minnesota Statutes, chapters 124 and 124A and section 275.125, adjusted gross tax capacity means adjusted gross tax capacity as defined in Minnesota Statutes 1988, section 273.13."

Page 131, line 32, delete "17" and insert "18"

Renumber the sections of article 6 in sequence

Page 135, line 32, after "property" insert "that is owned by the same owner in both years" and after "more" insert "for taxes payable in 1990 and 1991, \$60 or more for taxes payable in 1992, \$80 or more for taxes payable in 1993, and \$100 or more for taxes payable in 1994"

Page 135, line 34, delete "90" and strike "percent of the amount by which the"

Page 135, line 35, strike everything before the period and insert "the sum of (1) 75 percent of the first \$250 of the amount of the increase over ten percent for taxes payable in 1990 and 1991, 75 percent of the first \$275 of the amount of the increase over ten percent for taxes payable in 1992, 75 percent of the first \$300 of the amount of the increase over ten percent for taxes payable in 1993, and 75 percent of the first \$325 of the amount of the increase over ten percent for taxes payable in 1994, and (2) 90 percent of the amount of the increase over ten percent plus \$250 for taxes payable in 1990 and 1991, 90 percent of the amount of the increase over ten percent plus \$275 for taxes payable in 1992, 90 percent of the amount of the increase over ten percent plus \$300 for taxes payable in 1993, and 90 percent of the amount of the increase over ten percent plus \$325 for taxes payable in 1994"

Page 136, after line 18, insert:

"On or before December 1, 1990 and December 1 of each of the following three years, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in the following year. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims exceed the following amounts for the taxes payable year designated, the commissioner shall decrease the percentages of the excess taxes the state will pay and increase the dollar amount of tax increase which must occur before a taxpayer qualifies for a refund.

<i>Taxes payable in:</i>	<i>Appropriation limit</i>
<i>1991</i>	<i>\$7,000,000</i>
<i>1992</i>	<i>\$6,500,000</i>
<i>1993</i>	<i>\$6,000,000</i>
<i>1994</i>	<i>\$5,500,000</i>

The commissioner shall make the adjustments so that half of the estimated savings come from decreasing the percentages of the excess taxes the state will pay and half of the estimated savings come from increasing the dollar amount of the tax increase which must occur before a taxpayer qualifies for a refund. The determinations of the revised percentages and thresholds by the commissioner are not rules subject to chapter 14.

Sec. 4. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2i. If the net property taxes payable in 1990 on a seasonal residential and recreational property, not devoted to commercial use, increase more than ten percent over the net property taxes payable in 1989 and if the amount is \$40 or more, one claimant who is an owner of the property in both years is allowed a refund equal to 75 percent of the first \$250 of the excess of the increase over ten percent. This subdivision does not apply to the portion of an increase in taxes payable that are attributable to improvements to the property.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the application a copy of the property tax statement for property taxes payable in 1989 and 1990 and any other documents required by the commissioner."

Page 137, line 8, delete "By February 15, 1990 the governor" and insert "The legislature finds that it is a desirable policy to improve the protection

for low income persons and low value homes from future property tax increases. Therefore, the governor, by February 15, 1990."

Page 137, line 9, delete "the following" and delete "relative to the" and insert "regarding (1) modifications to the"

Page 137, delete lines 10 and 11

Page 137, line 12, delete "increase the" and insert "will improve"

Page 137, delete lines 13 to 15 and insert "the coverage for low income and low value homeowners for taxes payable in 1991, (2) other"

Page 137, line 17, delete "and"

Page 137, delete lines 19 and 20 and insert "by eligible homeowners, and (4) a separate"

Page 137, line 21, delete "that would" and insert "to"

Page 137, line 22, delete "and" and insert "which"

Page 137, after line 24, insert:

"It is the intent of the legislature that this act not increase the net cost of rental housing to tenants after taking into consideration the combined effect of the reductions in property tax, rent, and property tax refund. Article 2 will significantly reduce the property tax burden on rental housing. Since the property tax refund for renters is based on the property tax paid on the rental unit, the reductions in article 2 will also reduce the amount of property tax refunds. However, because of conditions in the market for rental housing units in some or many areas, the property tax reductions may not affect the amount of rent the tenant must pay. As a result, the net effect of the provisions of this act may not improve the net cost of housing to some tenants. The property tax refund schedule for renters in this article was increased to partially offset this effect. In order to insure that this act does not adversely affect the net cost of housing to tenants, the department of revenue is directed to study this issue and to prepare a property tax refund schedule for renters that increases the eligibility for and amount of refunds in a manner found necessary to prevent increases in overall rental housing costs resulting from the adoption of article 2 and this article, as compared with prior law. This schedule must be submitted to the 1990 legislature along with the governor's recommendations required by this section.

Sec. 8. [INTEREST ON ADDITIONAL REFUNDS FOR PROPERTY TAXES PAID IN 1989.]

Notwithstanding Minnesota Statutes, section 290A.07, subdivision 3, interest on the portion of a property tax refund generated by removing the \$250 maximum limit for taxes paid in 1989 shall be computed from the later of 60 days from the final day of enactment or 60 days from receipt of the application.

Sec. 9. [REPEALER.]

Minnesota Statutes 1988, section 290A.04, subdivision 2h, is repealed."

Page 137, line 26, delete "4, and 5" and insert "4 to 6"

Page 137, line 31, before the period, insert "and paragraph (b), clause (1), is effective for refunds for taxes payable in 1991"

Page 137, line 31, delete "6" and insert "7"

Page 137, line 32, after the period, insert "*Section 8 is effective the day following final enactment. Section 9 is effective for property taxes payable in 1995 and thereafter.*"

Renumber the sections of article 7 in sequence

Page 143, line 4, delete "other"

Page 160, line 1, after "pupils" insert "*in average daily membership*"

Page 160, line 2, after "pupils" insert "*in average daily membership*"

Page 163, line 15, after "increase" insert "*or decrease*"

Page 163, line 18, after "increase" insert "*or decrease*"

Page 163, line 19, after "pupils" insert "*in average daily membership*"

Page 165, line 20, strike "final" and strike "2" and insert "1"

Page 165, line 21, strike "paragraph (c)"

Page 165, line 25, after "2" insert "*, or 124.82, subdivision 3*"

Page 177, delete lines 29 to 36 and insert:

"(d) For taxes payable in 1990, the commissioner shall prescribe language notifying taxpayers that state aid dollars were transferred from the city or town to the school district. The language must notify taxpayers that the transfer results in an increase in city or town taxes and a decrease in school taxes that is unrelated to spending decisions of the city or town and school district. The commissioner may prescribe that the amount of the transfer be stated."

Page 193, line 30, delete the first "\$80,000" and insert "\$60,000"

Page 193, line 33, before "department" insert "*education finance and analysis section of the*"

Page 195, line 9, delete "*all daily and weekly*"

Page 195, delete lines 10 and 11 and insert "*the official newspaper of the taxing authority.*"

Page 196, before line 12, insert:

"Subd. 6. [ADDITIONS TO LEVY.] (a) The adopted property tax levy must not exceed the proposed levy, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124A.03, subdivision 2, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters under section 275.58 after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds issued or approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under this subdivision; and

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under this subdivision.

(b) A taxing authority may appeal to the commissioner of revenue for authorization to levy an amount over the amount of the proposed levy under clause (4) or (5). The taxing authority must provide evidence satisfactory to the commissioner that it has incurred costs for the purposes specified in this subdivision. The commissioner may approve an increase in the taxing authority's levy of up to the amount of costs incurred or a lesser amount determined by the commissioner. The commissioner's decision is final.

A levy addition may be made under this subdivision only if the following costs incurred after the proposed levy is certified are: (1) the unreimbursed costs to satisfy judgments rendered against the taxing authority by a court of competent jurisdiction in a tort action in excess of \$50,000 or ten percent of the current year's proposed certified levy whichever is less; and (2) the costs incurred in clean up of a natural disaster. For purposes of this subdivision, "natural disaster" includes the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from causes such as earthquake, fire, flood, windstorm, wave action, oil spill, water contamination, air contamination, or drought."

Page 196, line 12, delete "6" and insert "7"

Page 196, line 15, delete "7" and insert "8"

Page 196, after line 26, insert:

"Subd. 9. [NEW NOTICE AND HEARING REQUIRED.] Each taxing authority must comply with the provisions of this section for taxes levied in 1989. If a taxing authority has published a notice or had a public hearing prior to the date of final enactment of this act that does not comply with the provisions of this section, or if a proposed levy or adopted levy will change as a result of the provisions of this act, the taxing authority must publish a correct notice and hold a hearing that complies with the provisions of this section."

Page 213, line 1, strike "are exempted from" and insert ". including specifically nonprofit health service plan corporations, as defined in chapter 62C, are subject to" and strike "if" and insert "unless"

Page 215, after line 12, insert:

"Sec. 15. Minnesota Statutes 1989 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:

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 computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$75,500, but not	0.5 percent of the
over \$165,000	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. In the case of married individuals filing separately, the additional 0.5 percent tax provided in this subdivision shall be applied to taxable income over \$37,750, but not over \$127,500.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

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 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, 1987, must be computed by applying to taxable net income the following schedule of rates:

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 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 federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, 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, 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."

Page 246, line 3, delete "39" and insert "41"

Page 246, line 5, after the period, insert "*Notwithstanding section 290.50, subdivision 1, paragraph (a), a federal retiree may file an amended return and the commissioner may allow a refund for tax year 1985 based on the change made by section 41 if the amended return is filed with the commissioner prior to October 15, 1990.*"

Page 246, after line 23, insert:

"Sec. 45. [TEMPORARY ALTERNATIVE MINIMUM TAX EXEMPTION; INSURANCE COMPANIES.]

Corporations subject to tax under Minnesota Statutes, sections 60A.15, subdivision 1, and 290.35 are not subject to the tax imposed by Minnesota Statutes, section 290.0921 for taxable years beginning after December 31, 1989 and before January 1, 1991."

Page 246, line 34, delete "11 to 15; 21," and insert "12 to 14; 16; 22,"

Page 246, line 35, delete "31" and insert "32"

Page 247, delete lines 1 to 3

Page 247, line 4, delete "16, 18, and 27" and insert "15, 17, 19, and 28"

Page 247, line 6, delete "17, 22, 23, 25, and 28 to 30" and insert "11, 18, 23, 24, 25, 29, 30, and 31"

Page 247, line 8, delete "19 and 20" and insert "20 and 21"

Page 247, line 12, delete "21" and insert "22"

Page 247, line 17, delete "24, 33, 35, and 39 to 44" and insert "25, 36, and 40 to 46"

Page 247, line 19, delete "32" and insert "33"

Page 247, after line 20, insert:

"Section 34 is effective after December 31, 1989."

Page 247, line 21, delete "34" and insert "35"

Page 247, line 23, delete "36" and insert "37"

Page 247, line 25, delete "37 and 38" and insert "38 and 39"

Renumber the sections of article 10 in sequence

Page 259, line 9, after the comma, insert *"except meals furnished to employees of restaurants, resorts, and hotels, and"*

Page 259, lines 10 and 11, delete the new language

Page 265, line 29, delete *"a designation made June"* and insert *"designations made effective July"*

Page 269, line 28, delete *"or a winning"* and insert a period

Page 269, delete lines 29 and 30

Page 309, line 3, after the period, insert *"Beginning in November 1990, forecast unrestricted budgetary general fund balances are first appropriated to reduce the property tax levy recognition percent under section 121.904, subdivision 4a, to 27 percent before money is allocated to the budget and cash flow reserve account under the preceding sentence."*

Page 309, after line 27, insert:

"(e) The "county share of local agency expenditures growth amount" is the amount by which the county share of local agency expenditures in calendar years 1991 to 1997 has increased over the base amount."

Page 310, line 14, delete everything after the first *"costs"*

Page 310, line 15, delete everything before the semicolon

Page 310, line 16, delete the first *"and"* and insert a comma

Page 310, line 17, delete everything after the first *"costs"*

Page 310, line 18, delete *"256B.19"*

Page 310, line 28, delete *"..."* and insert *"3"* and delete *"...."* and insert *"13."*

Page 313, line 10, delete everything after the first *"the"*

Page 323, line 26, delete *"up to the limit of state"*

Page 323, line 27, delete *"appropriations."*

Pages 349 and 350, delete section 24

Page 350, line 18, delete *"\$693,300"* and insert *"\$959,300"*

Page 350, after line 25, insert:

"Commercial-Industrial Refund \$266,000"

Page 350, after line 30, insert:

"Sec. 27. [FEES; DRAFTING SERVICES.]

Notwithstanding any contrary requirements of Minnesota Statutes, section 3C.035, subdivision 2, the revisor of statutes shall assess the commissioner of revenue for the actual cost of bill drafting services rendered to the department after October 31, 1989, but before February 15, 1990,

if the services are required because of (1) a provision of this act requiring the commissioner to prepare legislation in the legislative session beginning February 12, 1990, or (2) clarifying, administrative, or technical changes that are proposed by the commissioner to implement a provision of this act."

Page 350, line 32, delete "and 25" and insert "24, and 27"

Page 351, line 5, delete "26 and 27" and insert "25 and 26"

Page 351, line 6, delete everything after the period

Page 351, delete lines 7 to 9

Renumber the sections of article 17 in sequence

Page 356, line 18, after "(a)" insert "For the purposes of this section."

Page 356, line 25, after "(b)" insert "For the purposes of this section."

Page 356, lines 32 and 35, delete "shall" and insert "will"

Page 357, line 1, delete "shall" and insert "will"

Amend the title as follows:

Page 1, delete line 28

Page 1, line 29, delete "district;"

Page 2, line 28, after "275.124;" insert "275.125, subdivision 18;"

Page 2, lines 44 and 45, delete "a subdivision" and insert "subdivisions"

Page 3, line 30, after "3;" insert "290.06, subdivision 2c;"

Page 3, line 59, after "5;" insert "290A.04, subdivision 2h;"

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

SECOND READING OF SENATE BILLS

S.F. No. 1 was read the second time.

MOTIONS AND RESOLUTIONS

SUSPENSION OF RULES

Mr. Moe, R.D. moved that the rules of the Senate be so far suspended as to waive the lie-over requirement in order to take up S.F. No. 1.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 40 and nays 21, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Langseth	Moe, R.D.	Reichgott
Beckman	Diessner	Lantry	Morse	Samuelson
Berg	Frank	Lessard	Novak	Schmitz
Bertram	Frederickson, D.J.	Luther	Pehler	Solon
Brandl	Freeman	Marty	Peterson, D.C.	Spear
Chmielewski	Hughes	Merriam	Peterson, R.W.	Stumpf
Cohen	Johnson, D.J.	Metzen	Piper	Vickerman
DeCramer	Kroening	Moe, D.M.	Pogemiller	Waldorf

Those who voted in the negative were:

Anderson	Frederick	Knutson	Mehrkens	Storm
Belanger	Frederickson, D.R.	Laidig	Olson	
Benson	Gustafson	Larson	Pariseau	
Bernhagen	Johnson, D.E.	McGowan	Ramstad	
Decker	Knaak	McQuaid	Renneke	

The motion did not prevail.

MOTIONS AND RESOLUTIONS - CONTINUED

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

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Messrs. Pogemiller; Johnson, D.J.; Moe, R.D.; Novak and Stumpf introduced—

S.F. No. 2: A bill for an act relating to taxation; reducing the class rates applicable to residential property; providing equalization aid; providing a homestead effective tax credit; appropriating money; amending Minnesota Statutes 1988, sections 273.13, subdivision 25; and 290A.04, by adding a subdivision; and Minnesota Statutes 1989 Supplement, sections 273.13, subdivisions 22 and 23; and 275.07, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 273.

Referred to the Committee on Taxes and Tax Laws.

Messrs. Chmielewski and Bertram introduced—

S.F. No. 3: A bill for an act relating to health; prohibiting public funds, employees, and facilities from being used for abortions; proposing coding for new law in Minnesota Statutes, chapter 145.

Referred to the Committee on Rules and Administration.

Messrs. Spear, Knaak and Merriam introduced—

S.F. No. 4: A bill for an act relating to legislative enactments; providing for the correction of miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Laws 1989, chapter 340, article 1, section 17.

Referred to the Committee on Rules and Administration.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until the call of the Chair, Friday, September 29, 1989. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate