FORTY-FIRST DAY

St. Paul, Minnesota, Thursday, April 22, 1993

The Senate met at 8:30 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Murphy 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. Priscilla Ojala.

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

Adkins	Dille	Krentz	Morse	Robertson
Anderson	Finn	Kroening	Murphy	Runbeck
Beckman	Flynn	Laidig	Neuville	Sams
Belanger	Frederickson	Langseth	Novak	Samuelson
Benson, D.D.	Hanson	Larson	Oliver	Solon
Benson, J.E.	Hottinger	Lesewski	Olson	Spear
Berg	Janezich	Lessard	Pappas	Stevens
Berglin	Johnson, D.E.	Luther	Pariseau	Stumpf
Bertram	Johnson, D.J.	Marty	Piper	Terwilliger
Betzold	Johnson, J.B.	McGowan	Pogemiller	Vickerman
Chandler	Johnston	Merriam	Price	Wiener
Chmielewski	Kelly	Metzen	Ranum	
Cohen	Kiscaden	Moe, R.D.	Reichgott	
Day	Knutson	Mondale	Riveness	

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 House Files, herewith transmitted: H.F. Nos. 974, 1169, 1398, 1442 and 1709.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 21, 1993

FIRST READING OF HOUSE BILLS

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

H.F. No. 974: A bill for an act relating to the capitol area architectural and planning board; clarifying certain duties and powers of the board; amending Minnesota Statutes 1992, section 15.50, subdivision 2, and by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1013, now on General Orders.

H.F. No. 1169: A bill for an act relating to metropolitan government; requiring the transit commission to obtain consent to use parkways; amending Minnesota Statutes 1992, section 473.411, subdivision 5.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1228, now on General Orders.

H.F. No. 1398: A bill for an act relating to traffic regulations; directing commissioner of transportation to study and report on traffic safety improvement measures in residential neighborhoods.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1264, now on General Orders.

H.F. No. 1442: A bill for an act relating to the city of Columbia Heights; exclusions from salary in computing police relief association retirement benefits; permitting a contribution with interest by a member for past service with the city; amending Laws 1977, chapter 374, section 8, subdivision 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 980, now on General Orders.

H.F. No. 1709: 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; fixing and limiting accounts and fees; amending Minnesota Statutes 1992, sections 11A.21, subdivision 1; 161.081; 161.39, by adding a subdivision; 169.121, subdivision 7; 169.123, subdivision 5a; 171.02, subdivision 1; 171.06, subdivisions 2 and 4; 171.07, by adding a subdivision; 171.11; 171.22, subdivision 1; 174.02, by adding a subdivision; 296.02, subdivision 1a; 296.025, subdivision 1a; Laws 1992, chapter 513, article 3, section 77; proposing coding for new law in Minnesota Statutes, chapter 161; repealing Minnesota Statutes 1992, sections 171.20, subdivision 1; 296.01, subdivision 4; and 296.026.

Mr. Moe, R.D. moved that H.F. No. 1709 be laid on the table. The motion prevailed.

Without objection, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 163:

H.F. No. 163: A bill for an act relating to campaign reform; limiting noncampaign disbursements to items specified by law; requiring lobbyists and political committees and funds to include their registration number on contributions; prohibiting certain "friends of" committees; requiring reports

by certain solicitors of campaign contributions; limiting use of contributions carried forward; requiring unused postage to be carried forward as an expenditure; requiring certain notices; changing contribution limits; limiting contributions by political parties; prohibiting transfers from one candidate to another, with certain exceptions; limiting contributions by certain political committees, funds, and individuals; eliminating public subsidies to unopposed candidates; providing for a public subsidy to match in-district contributions; clarifying filing requirements for candidate agreements and the duration of the agreements; requiring return of public subsidies under certain conditions; imposing contribution limits on candidates for local offices; prohibiting political contributions by certain nonprofit corporations and partnerships; requiring a report of candidates on whose behalf political contributions have been refunded by the state; defining certain terms; clarifying certain language; appropriating money; amending Minnesota Statutes 1992, sections 10A.01, subdivision 10c, and by adding a subdivision; 10A.04, by adding a subdivision; 10A.065, subdivision 1; 10A.14, subdivision 2; 10A.15, by adding subdivisions; 10A.19, subdivision 1; 10A.20, subdivision 3, and by adding a subdivision; 10A.25, by adding subdivisions; 10A.27, subdivisions 1, 2, 9, and by adding subdivisions; 10A.31, subdivisions 6, 8, and by adding a subdivision; 10A.322, subdivisions 1 and 2; 10A.324, subdivisions 1 and 3; 211B.15; 290.06, subdivision 23; proposing coding for new law in Minnesota Statutes, chapters 10A; 211A; and 211B.

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

Sparby, Lasley, Ostrom, Pawlenty and Long have been appointed as such committee on the part of the House.

House File No. 163 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 April 21, 1993

Mr. Marty moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 163, 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:

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. 1407: A bill for an act relating to education; appropriating money for education and related purposes to the higher education coordinating board, state board of technical colleges, state board for community colleges, state university board, University of Minnesota, higher education board, and the Mayo medical foundation, with certain conditions; creating an instructional telecommunications network; providing for grants from the higher education coordinating board for regional linkages, regional coordination, courseware development and usage, and faculty training; authorizing the state board of

community colleges to use higher education facilities authority revenue bonds to construct student residences; creating three accounts in the permanent university fund and making allocations from the accounts; providing tuition exemptions at technical colleges for Southwest Asia veterans; prescribing changes in eligibility and in duties and responsibilities for certain financial assistance programs; establishing grant programs to promote recruitment and retention initiatives by nurses training and teacher education programs directed toward persons of color; establishing grant programs for nursing students and students in teacher education programs who are persons of color; establishing an education to employment transitions system; amending Minnesota Statutes 1992, sections 136A.101, subdivisions 1 and 7; 136A.121, subdivision 9; 136A.1353, subdivision 4; 136A.1354, subdivision 4; 136A.15, subdivision 6; 136A.1701, subdivision 4; 136A.233, subdivisions 2 and 3; 136C.13, subdivision 4; 136C.61, subdivision 7; and 137.022, subdivision 3, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 136A; and 137; proposing coding for new law as Minnesota Statutes, chapter 126B; repealing Minnesota Statutes 1992, sections 136A.121, subdivision 17; and 136A.134.

Senate File No. 1407 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 21, 1993

Mr. Stumpf moved that the Senate do not concur in the amendments by the House to S.F. No. 1407, 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.

REPORTS OF COMMITTEES

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 338: A bill for an act relating to economic development; creating Minnesota Business Finance, Inc. to provide capital for commercial borrowers through the Small Business Administration; providing for powers and duties of a board of directors and employees; transferring funds from the certified development company established under the department of trade and economic development to the new corporation; proposing coding for new law as Minnesota Statutes, chapter 116S; repealing Minnesota Statutes 1992, sections 41A.065 and 116J.985.

Reports the same back with the recommendation that the report from the Committee on Judiciary, shown in the Journal for April 19, 1993, be amended to read:

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 416: A bill for an act relating to elections; providing for a presidential primary by mail; changing the date of the presidential primary; increasing the filing fee for an affidavit of candidacy; changing certain duties and procedures; amending Minnesota Statutes 1992, sections 204B.45, subdivision 3, and by adding a subdivision; 207A.01; 207A.02, subdivision 1a; 207A.03; 207A.04, subdivision 3; 207A.06, subdivision 2; 207A.08; and 207A.09; proposing coding for new law in Minnesota Statutes, chapter 207A; repealing Minnesota Statutes 1992, section 207A.07.

Reports the same back with the recommendation that the report from the Committee on Ethics and Campaign Reform, shown in the Journal for April 19, 1993, be amended to read:

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 868: A bill for an act relating to human services; adding conditions on availability of funds; changing conditions on adoption assistance agreement; changing reimbursement of costs; determining program funding; amending Minnesota Statutes 1992, sections 259.40, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, and by adding a subdivision.

Reports the same back with the recommendation that the report from the Committee on Family Services, shown in the Journal for April 15, 1993, be adopted; that committee recommendation being:

"the bill be amended 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 under Rule 35, together with the committee report thereon,

S.F. No. 615: A bill for an act relating to human rights; providing for protection for disabled persons in employment; clarifying permissible absenteeism under the "reasonable accommodation" clause; extending the time frame from 45 to 90 days for bringing a civil action after a "no probable cause" determination; providing for the right to a jury trial; amending Minnesota Statutes 1992, sections 363.01, subdivision 13; 363.02, subdivision 5; 363.03, subdivision 1; 363.14, subdivision 2; and 363.117.

Reports the same back with the recommendation that the report from the Committee on Judiciary, shown in the Journal for April 14, 1993, be adopted; that committee recommendation being:

"the bill be amended 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 under Rule 35, together with the committee report thereon,

S.F. No. 891: A bill for an act relating to labor; requiring arbitration in certain circumstances; establishing procedures; providing penalties; amending Minnesota Statutes 1992, sections 179.06, by adding a subdivision; and 179A.16, subdivision 3, and by adding a subdivision.

Reports the same back with the recommendation that the report from the Committee on Jobs, Energy and Community Development, shown in the Journal for April 16, 1993, be amended to read:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Reform". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 34: A bill for an act relating to student exchange programs; regulating student exchange programs; imposing a penalty; proposing coding for new law as Minnesota Statutes, chapter 5A.

Reports the same back with the recommendation that the report from the Committee on Crime Prevention, shown in the Journal for April 19, 1993, be adopted; that committee recommendation being:

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 53: A bill for an act relating to labor; regulating employment of children; establishing a child labor curfew; providing penalties; amending Minnesota Statutes 1992, sections 181A.04, by adding a subdivision; and 181A.12, subdivision 1.

Reports the same back with the recommendation that the report from the Committee on Jobs, Energy and Community Development, shown in the Journal for April 16, 1993, be adopted; that committee recommendation being:

"the bill be amended 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. 427 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.
427	585				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 427 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 427 and insert the language after the enacting clause of S.F. No. 585, the first engrossment; further, delete the title of H.F. No. 427 and insert the title of S.F. No. 585, the first engrossment.

And when so amended H.F. No. 427 will be identical to S.F. No. 585, and further recommends that H.F. No. 427 be given its second reading and substituted for S.F. No. 585, 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. 868, 615 and 53 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. No. 427 was read the second time.

MOTIONS AND RESOLUTIONS

Ms. Johnson, J.B. moved that the name of Ms. Anderson be added as a co-author to S.F. No. 970. The motion prevailed.

Mr. Betzold moved that the name of Ms. Johnson, J.B. be added as a co-author to S.F. No. 1315. The motion prevailed.

Mr. Novak moved that the name of Ms. Anderson be added as a co-author to S.F. No. 1437. The motion prevailed.

Mr. Johnson, D.J. moved that the name of Mr. Frederickson be added as a co-author to S.F. No. 1467. The motion prevailed.

Ms. Hanson moved that the name of Mr. Chmielewski be added as a co-author to S.F. No. 1524. The motion prevailed.

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

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. McGowan in the chair.

After some time spent therein, the committee arose, and Mr. McGowan reported that the committee had considered the following:

S.F. Nos. 872, 639, 1161, 1060, 1315, 1006, 636, 1152 and 1171, which the committee recommends to pass.

S.F. No. 122, which the committee recommends to pass with the following amendment offered by Ms. Berglin:

Page 1, lines 25 and 26, delete the new language

Page 2, lines 1 to 3, delete the new language and insert "*If there is a reduction in funding, the remaining funds under this paragraph will be allocated proportionately to each Head Start grantee based on the proportion of state funding that was allocated to that grantee in fiscal year 1993.*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1129, which the committee recommends to pass with the following amendment offered by Mr. Solon:

Page 13, after line 36, insert:

"Sec. 20. Minnesota Statutes 1992, section 48.61, subdivision 3, is amended to read:

Subd. 3. The bank or trust company may invest not to exceed ten percent of its capital and surplus in shares of stock in any banks or bank holding companies wherein the ~~ownership of~~ stock ~~in~~ *of* the banks or bank holding companies is ~~restricted to~~ *owned exclusively by bank holding companies or banks and at least 51 percent of the voting stock is owned or controlled by* bank holding companies or banks authorized to do business in the state of Minnesota."

Page 22, line 24, delete "*the*"

Page 22, line 26, delete "*contracts*" and insert "*contract*"

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. 105, which the committee recommends to pass with the following amendment offered by Mr. Spear:

Page 2, line 15, delete "*Sections 1 to 3 are*" and insert "*Section 1 is*" and delete "*apply*" and insert "*applies*"

Page 2, line 16, after the period, insert "*Section 2 is effective retroactively to April 30, 1992.*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1221, which the committee recommends to pass with the following amendment offered by Mr. Murphy:

Page 5, after line 24, insert:

"Sec. 6. Minnesota Statutes 1992, section 169.64, is amended by adding a subdivision to read:

Subd. 9. [WARNING LAMPS ON VEHICLES COLLECTING SOLID WASTE.] *A vehicle used to collect solid waste may be equipped with a single amber gaseous discharge warning lamp that meets the Society of Automotive Engineers standard J 1318, Class 2. The lamp may be operated only when the collection vehicle is in the process of collecting solid waste and is either:*

(1) stopped at an establishment where solid waste is to be collected; or

(2) traveling at a speed that is at least ten miles per hour below the posted

speed limit and moving between establishments where solid waste is to be collected.''

Amend the title as follows:

Page 1, line 9, after the semicolon, insert ''authorizing warning lamps on solid waste collection vehicles;''

Page 1, line 11, delete ''and'' and before the period, insert ''; and 169.64, by adding a subdivision''

The motion prevailed. So the amendment was adopted.

H.F. No. 546, which the committee recommends to pass with the following amendment offered by Ms. Kiscaden:

Amend H.F. No. 546, the unofficial engrossment, as follows:

Page 1, delete line 13 and insert ''*all-terrain vehicles, motorcycles, or four-wheel drive trucks*''

Page 1, line 14, delete ''*subdivision 1,*''

Page 1, after line 15, insert:

''Sec. 2. [84.93] [LAND USE FOR CERTAIN VEHICLES RESTRICTED.]

After June 1, 1993, the commissioner may not allow the use of additional state lands or acquire private lands for operation of all-terrain vehicles, motorcycles, or four-wheel drive trucks, without approval of the county board within which the use is proposed.''

Page 1, line 16, delete ''2'' and insert ''3''

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 429, which the committee recommends to pass, subject to the following motions:

Mr. Solon moved to amend S.F. No. 429 as follows:

Page 4, after line 35, insert:

''Sec. 8. Minnesota Statutes 1992, section 340A.308, is amended to read:

340A.308 [PROHIBITED TRANSACTIONS.]

(a) No brewer or malt liquor wholesaler may directly or indirectly, or through an affiliate or subsidiary company, or through an officer, director, stockholder, or partner:

(1) give, or lend money, credit, or other thing of value to a retailer;

(2) give, lend, lease, or sell furnishing or equipment to a retailer;

(3) have an interest in a retail license; or

(4) be bound for the repayment of a loan to a retailer.

(b) This section does not prohibit a manufacturer or wholesaler from:

(1) furnishing, lending, or renting to a retailer outside signs, of a cost of up to $400 excluding installation and repair costs;

(2) furnishing, lending, or renting to a retailer inside signs and other promotional material, of a cost of up to $300 in a year;

(3) *renting advertising space from a retailer at a cost of up to $25 per month, if the space is not in a portion of the licensed premises where alcoholic beverages are served;*

(4) furnishing to or maintaining for a retailer equipment for dispensing malt liquor, including tap trailers, cold plates and other dispensing equipment, of a cost of up to $100 per tap in a year;

~~(4)~~ *(5)* using or renting property owned continually since November 1, 1933, for the purpose of selling intoxicating or 3.2 percent malt liquor at retail; or

~~(5)~~ *(6)* extending customary commercial credit to a retailer in connection with a sale of nonalcoholic beverages only, or engaging in cooperative advertising agreements with a retailer in connection with the sale of nonalcoholic beverages only."

Page 11, line 21, delete "*and designated as the Dusty Eagle,*"

Page 11, after line 29, insert:

"Sec. 21. [STILLWATER ON-SALE LICENSE.]

Subdivision 1. [AUTHORITY.] *Notwithstanding Minnesota Statutes, section 340A.413, or any other law, the city of Stillwater may issue one additional on-sale intoxicating liquor license to a hotel located within the city. All provisions of Minnesota Statutes, chapter 340A, not inconsistent with this section apply to the license.*

Subd. 2. [LOCAL APPROVAL.] *Subdivision 1 is effective on approval by the Stillwater city council and compliance with Minnesota Statutes, section 645.021.*

Sec. 22. [AITKIN COUNTY; OFF-SALE LICENSE.]

Subdivision 1. [AUTHORIZED.] *Notwithstanding any provision of Minnesota Statutes, section 340A.405, subdivision 2, the Aitkin county board may issue one off-sale liquor license to a premises located in Farm Island township. All other provisions of Minnesota Statutes, chapter 340A, not inconsistent with this section shall apply to this license.*

Subd. 2. [LOCAL APPROVAL.] *Subdivision 1 is effective on approval by the Aitkin county board and compliance with Minnesota Statutes, section 645.021.*

Sec. 23. [PINE COUNTY ON-SALE LICENSE.]

Subdivision 1. [AUTHORITY.] *Notwithstanding Minnesota Statutes, section 340A.504, subdivision 3, paragraph (d), Pine county may issue one Sunday on-sale intoxicating liquor license to a licensed premises located in Barry township upon approval by the voters of the town at a special election under Minnesota Statutes, section 340A.504, subdivision 3, paragraph (d).*

Subd. 2. [LOCAL APPROVAL.] *Subdivision 1 is effective on approval by*

the Pine county board and compliance with Minnesota Statutes, section 645.021.''

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Ms. Kiscaden moved to amend S.F. No. 429 as follows:

Pages 2 and 3, delete section 2

Page 11, delete lines 33 and 34 and insert:

''*Sections 2 to 7, 10 to 12, and 19 are effective July 1, 1993.*''

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete ''reciprocity in''

Page 1, line 3, delete everything before ''changing''

Page 1, line 34, delete ''chapters 297C; and'' and insert ''chapter''

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 16 and nays 45, as follows:

Those who voted in the affirmative were:

Benson, D.D.	Frederickson	McGowan	Olson	Runbeck
Benson, J.E.	Johnson, D.E.	Neuville	Pariseau	Stevens
Berglin	Kiscaden	Oliver	Robertson	Terwilliger
Flynn				

Those who voted in the negative were:

Adkins	Day	Krentz	Metzen	Price
Anderson	Finn	Kroening	Moe, R.D.	Reichgott
Belanger	Hanson	Langseth	Mondale	Riveness
Berg	Hottinger	Larson	Morse	Sams
Bertram	Janezich	Lesewski	Murphy	Samuelson
Betzold	Johnson, D.J.	Lessard	Novak	Solon
Chandler	Johnson, J.B.	Luther	Pappas	Spear
Chmielewski	Johnston	Marty	Piper	Vickerman
Cohen	Knutson	Merriam	Pogemiller	Wiener

The motion did not prevail. So the amendment was not 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

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

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. 1570: A bill for an act relating to the organization and operation of state government; appropriating money for environmental, natural resource, and agricultural purposes; transferring responsibilities to the commissioner of natural resources; continuing the citizen's council on Voyageurs national park; providing for crop protection assistance; changing certain license fees; imposing a solid waste assessment; modifying the hazardous waste generator tax; establishing a hazardous waste generator loan program; expanding the number of facilities subject to pollution prevention requirements; providing for membership on the legislative commission on Minnesota resources; requiring a toxic air contaminant strategy; amending Minnesota Statutes 1992, sections 17.59, subdivision 5; 17A.11; 18B.05, subdivision 2; 18C.131; 21.115; 21.92; 25.39, subdivision 4; 27.07, subdivision 6; 32.394, subdivision 9; 32A.05, subdivision 4; 41A.09, by adding a subdivision; 84.027, by adding a subdivision; 85.016; 85.22, subdivision 2a; 85A.02, subdivision 17; 88.79, subdivision 2; 97A.055, subdivision 1, and by adding a subdivision; 97A.065, subdivision 3; 97A.071, subdivision 2; 97A.075, subdivisions 1 and 4; 97A.441, by adding a subdivision; 97A.475, subdivision 12; 97C.355, subdivision 2; 103F.725, by adding a subdivision; 115A.96, subdivisions 3 and 4; 115B.22, by adding subdivisions; 115B.24, subdivision 6; 115B.42, subdivision 2; 115D.07, subdivision 1; 115D.10; 115D.12, subdivision 2; 116J.401; 116P.05, subdivision 1; 116P.10; 116P.11; 160.265; 297A.45, by adding a subdivision; 299K.08, by adding a subdivision; 473.351, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 85; 97A; 115A; 115B; and 115D; repealing Minnesota Statutes 1992, sections 97A.065, subdivision 3; 97A.071, subdivision 2; 97A.075, subdivisions 2, 3, and 4; 97B.715, subdivision 1; 97B.801; 97C.305; 115B.21, subdivisions 4 and 6; 115B.22, subdivisions 1, 2, 3, 4, 5, and 6.

Senate File No. 1570 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 21, 1993

Mr. Morse moved that the Senate do not concur in the amendments by the House to S.F. No. 1570, 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.

REPORTS OF COMMITTEES

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

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

H.F. No. 1377: A bill for an act relating to state government; making certain telephone records and budgets public information; amending Minnesota Statutes 1992, section 3.055, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3; and 10.

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

Delete everything after the enacting clause and insert:

"Section 1. [3.13] [EXPENSE REPORTS.]

Quarterly detailed reports of expenditures made by the house of representatives and the senate shall be reported to their respective committees on rules and administration. The house of representatives and the senate shall adopt an appropriate rule to implement this requirement.

Sec. 2. [10.43] [BUDGETS; INFORMATION.]

The budgets of the house of representatives, the senate, each constitutional officer, the district courts, court of appeals, and supreme court shall be public information and shall be divided into expense categories. The categories shall include, among others, travel expenses and telephone expenses.

Sec. 3. [10.44] [ELECTED OFFICIALS: TELEPHONE RECORDS.]

The records of publicly owned telephones under the control of elected officials, including senators, representatives, constitutional officers, and judges, are public data, except that recordings of telephone conversations between individuals and elected officials are private data.

Sec. 4. [10.45] [TELEPHONE SERVICE; OVERSIGHT.]

Each member or employee of the house of representatives shall report any evidence of misuse of long distance telephone service to the director of house administrative services. Each member or employee of the senate shall report any evidence of misuse of long distance telephone service to the secretary of the senate. Each constitutional officer, head of an executive branch department or agency, or other state employee shall report any evidence of misuse of long distance telephone service to the commissioner of administration.

Sec. 5. Laws 1989, chapter 335, article 1, section 15, subdivision 3, is amended to read:

Subd. 3. Information Management

$5,836,000 $5,759,000

Summary by Fund

General	$1,678,000	$1,601,000
Special Revenue	$4,158,000	$4,158,000

The appropriation from the special revenue fund is for recurring costs of 911 emergency telephone service.

$201,100 the first year and $205,800 the second year must be subtracted from the amount that would otherwise be payable to local government aid under Minnesota Statutes, chapter 477A, in order to fund the local government records program and the intergovernmental information systems activity.

$1,000,000 in contributed capital is transferred from the computer services fund to the telecommunications fund.

The commissioner shall study the feasibility of contracting for disaster recovery services from nonstate sources.

~~Notwithstanding any law to the contrary, legislators' telephone records are private data.~~

Sec. 6. [INVESTIGATION OF RECORDS.]

Legislators' long distance telephone records, including WATS service, for 1991 and 1992 shall be provided in accordance with Minnesota Statutes, section 8.16 or 388.23, to the Ramsey county attorney or the attorney general to the extent necessary to complete any investigation. Failure to comply with a request without just cause subjects the person who fails to comply to contempt of court."

Delete the title and insert:

"A bill for an act relating to elected officials; making telephone records public data; providing oversight for legislative expenses; amending Laws 1989, chapter 335, article 1, section 15, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 3; and 10."

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 under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 521: A bill for an act relating to health; permitting minors to give consent for a hepatitis B vaccination; establishing procedures and programs relating to tuberculosis; proposing coding for new law in Minnesota Statutes, chapter 144.

Reports the same back with the recommendation that the report from the Committee on Health Care, shown in the Journal for April 19, 1993, be adopted; that committee recommendation being:

"the bill be amended 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 under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 1403: A bill for an act relating to utilities; expanding duties of chair of public utilities commission; amending Minnesota Statutes 1992, section 216A.03, subdivision 3a.

Reports the same back with the recommendation that the report from the Committee on Governmental Operations and Reform, shown in the Journal for April 15, 1993, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass". Amendments adopted. Report adopted.

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

S.F. No. 408: A bill for an act relating to taxation; real property; providing additional information with the proposed notices; amending Minnesota Statutes 1992, section 275.065, subdivision 3.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

PROPERTY TAXES

Section 1. Minnesota Statutes 1992, section 16A.712, is amended to read:

16A.712 [LOCAL GOVERNMENT TRUST; APPROPRIATIONS IN FISCAL YEAR 1993 AND SUBSEQUENT YEARS.]

(a) The amounts necessary to make the following payments in fiscal ~~year~~ *years* 1993 ~~and subsequent years~~, *1994, and 1995* are appropriated from the local government trust fund to the commissioner of revenue unless otherwise specified:

(1) attached machinery aid to counties under section 273.138;

(2) in fiscal year 1993 only, supplemental homestead credit under section 273.1391;

(3) $560,000 in fiscal year 1993 and $300,000 annually in fiscal years 1994 and 1995 for tax administration;

(4) $105,000 annually to the commissioner of finance in fiscal years 1993, 1994, and 1995 to administer the trust fund;

(5) $25,000 annually to the advisory commission on intergovernmental relations in fiscal years 1993, 1994, and 1995 to pay nonlegislative members' per diem expenses and such other expenses as the commission deems appropriate;

(6) $350,000 in fiscal year 1993 and $1,200,000 annually in fiscal years 1994 and 1995 to the intergovernmental information systems advisory council to develop a local government financial reporting system, with the participa-

tion and ongoing oversight of the legislative commission on planning and fiscal policy; and

(7) in fiscal year 1993 only, the transition credit under section 273.1398, subdivision 5, and the disparity reduction credit under section 273.1398, subdivision 4, for school districts. The school districts' transition credit and disparity reduction credit shall be appropriated to the commissioner of education.

(b) In addition, the legislature shall appropriate the rest of the trust fund receipts for fiscal ~~year~~ *years* 1993 ~~and subsequent years~~, *1994, and 1995* to finance intergovernmental aid formulas or programs prescribed by law.

(c) After June 30, 1995, payments for the purposes described in paragraph (a), clause (1), and paragraph (b), must be made from the general fund.

(d) Any money remaining in the local government trust fund on July 1, 1995, must be credited to the general fund.

Sec. 2. Minnesota Statutes 1992, section 124.2131, subdivision 1, is amended to read:

Subdivision 1. [~~ADJUSTED GROSS TAX CAPACITY;~~ ADJUSTED NET TAX CAPACITY.] (a) [COMPUTATION.] The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine ~~an aggregate equalized gross tax capacity and~~ an aggregate equalized net tax capacity for the various classes of taxable property in each school district, which tax capacity shall be designated as ~~the adjusted gross tax capacity and~~ the adjusted net tax capacity~~, respectively~~. *The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The department of revenue shall make whatever estimates are necessary to the property value data to accommodate changes in the classification scheme.* The department of revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining ~~the adjusted gross tax capacity and~~ the adjusted net tax capacity. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of ~~adjusted gross tax capacities and~~ adjusted net tax capacities. On or before April 15 annually, the department of revenue shall file its final report on the ~~adjusted gross tax capacities and~~ adjusted net tax capacities established by the previous year's ~~assessment~~ *assessments and the current year's net tax capacity percentages* with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

(b) [METHODOLOGY.] In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general meth-

odology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota administrative procedure act. For purposes of this section, section 270.12, subdivision 2, clause (8), and section 278.05, subdivision 4, the commissioner of revenue shall exclude from the assessment/sales ratio study the sale of any nonagricultural property which does not contain an improvement, if (1) the statutory basis on which the property's taxable value as most recently assessed is less than market value as defined in section 273.11, or (2) the property has undergone significant physical change or a change of use since the most recent assessment.

(c) [AGRICULTURAL LANDS.] For purposes of determining the ~~adjusted gross tax capacity and~~ adjusted net tax capacity of agricultural lands for the calculation of ~~adjusted gross tax capacities and~~ adjusted net tax capacities, the market value of agricultural lands shall be the price for which the property would sell in an arms length transaction.

(d) [FORCED SALES.] The commissioner may include forced sales in the assessment/sales ratio studies if it is determined by the commissioner that these forced sales indicate true market value.

(e) [STIPULATED VALUES.] *The estimated market value to be used in calculating sales ratios shall be the value established by the assessor before any stipulations resulting from appeals by property owners.*

(f) [SALES OF INDUSTRIAL PROPERTY.] *Separate sales ratios shall be calculated for commercial property and for industrial property. These two classes shall be combined only in jurisdictions in which there is not an adequate sample of sales in each class.*

Sec. 3. Minnesota Statutes 1992, section 179A.04, subdivision 3, is amended to read:

Subd. 3. [OTHER DUTIES.] The commissioner shall:

(a) provide mediation services as requested by the parties until the parties reach agreement. The commissioner may continue to assist parties after they have submitted their final positions for interest arbitration;

(b) issue notices, subpoenas, and orders required by law to carry out duties under sections 179A.01 to 179A.25;

(c) maintain a list of arbitrators for referral to employers and exclusive representatives for the resolution of grievance or interest disputes;

(d) assist the parties in formulating petitions, notices, and other papers required to be filed with the commissioner;

(e) certify the final results of any election or other voting procedure conducted under sections 179A.01 to 179A.25;

(f) adopt rules relating to the administration of this chapter; and the conduct of hearings and elections;

(g) receive, catalogue, and file all decisions of arbitrators and panels authorized by sections 179A.01 to 179A.25, all grievance arbitration deci-

sions, and the commissioner's orders and decisions. All decisions catalogued and filed shall be readily available to the public;

(h) adopt, subject to chapter 14, a grievance procedure to fulfill the purposes of section 179A.20, subdivision 4. The grievance procedure shall not provide for the services of the bureau of mediation services. The grievance procedure shall be available to any employee in a unit not covered by a contractual grievance procedure;

(i) conduct elections;

(j) maintain a schedule of state employee classifications or positions assigned to each unit established in section 179A.10, subdivision 2;

(k) collect such fees as are established by rule for empanelment of persons on the labor arbitrator roster maintained by the commissioner or in conjunction with fair share fee challenges;

(l) provide technical support and assistance to voluntary joint labor-management committees established for the purpose of improving relationships between exclusive representatives and employers, at the discretion of the commissioner;

(m) provide to the parties a list of arbitrators as required by section 179A.16, subdivision 4;

(n) adopt, subject to chapter 14, uniform baseline determination documents and uniform collective bargaining agreement settlement documents applicable to all negotiations between exclusive representatives of appropriate units of public employees and public employers other than townships and prescribe procedures and instructions for completion of the documents. *The commissioner must, at a minimum, include these individual elements in the uniform determination document: the costs of any increases to the wage schedule; the costs of employees moving through the wage schedule; costs of medical insurance; costs of dental insurance; costs of life insurance; lump sum payments; shift differentials; extra-curricular activities; longevity; and contributions to a deferred compensation account. The calculation of the base year must be based on an annualization of the costs provided in the base year contract.* A completed uniform collective bargaining agreement settlement document must be presented to the public employer at the time it ratifies a collective bargaining agreement and must be available afterward for inspection during normal business hours at the principal administrative offices of the public employer; and

(o) from the names provided by representative organizations, maintain a list of arbitrators to conduct teacher discharge or termination hearings according to section 125.12 or 125.17. The persons on the list shall meet at least one of the following requirements:

(1) be a former or retired judge;

(2) be a qualified arbitrator on the list maintained by the bureau;

(3) be a present, former, or retired administrative law judge; or

(4) be a neutral individual who is learned in the law and admitted to practice in Minnesota, who is qualified by experience to conduct these hearings, and who is without bias to either party.

Each year, the Minnesota education association shall provide a list of seven names, the Minnesota federation of teachers a list of seven names, and the Minnesota school boards association a list of 14 names of persons to be on the list. The commissioner may adopt rules about maintaining and updating the list.

Sec. 4. Minnesota Statutes 1992, section 204D.19, is amended by adding a subdivision to read:

Subd. 5. [PROHIBITION.] *No special election shall be held under this section on the second Tuesday in December.*

Sec. 5. Minnesota Statutes 1992, section 205.10, is amended by adding a subdivision to read:

Subd. 3. [PROHIBITION.] *No special election shall be held under this section on the second Tuesday in December.*

Sec. 6. Minnesota Statutes 1992, section 205A.05, subdivision 1, is amended to read:

Subdivision 1. [QUESTIONS.] Special elections must be held for a school district on a question on which the voters are authorized by law to pass judgment. The school board may on its own motion call a special election to vote on any matter requiring approval of the voters of a district. Upon petition of 50 or more voters of the school district or five percent of the number of voters voting at the preceding regular school district election, the school board shall by resolution call a special election to vote on any matter requiring approval of the voters of a district. A question is carried only with the majority in its favor required by law. The election officials for a special election are the same as for the most recent school district general election unless changed according to law. Otherwise, special elections must be conducted and the returns made in the manner provided for the school district general election. A special election may not be held during the 30 days before and the 30 days after the state primary or state general election, *or on the second Tuesday in December*. In addition, a special election may not be held during the 20 days before and the 20 days after any regularly scheduled election of a municipality wholly or partially within the school district. Notwithstanding any other law to the contrary, the time period in which a special election must be conducted under any other law may be extended by the school board to conform with the requirements of this subdivision.

Sec. 7. Minnesota Statutes 1992, section 272.01, subdivision 3, is amended to read:

Subd. 3. The provisions of subdivision 2 shall not apply to:

(a) Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed;

(b) Real estate exempt from ad valorem taxes and taxes in lieu thereof which is leased, loaned, or otherwise made available to telephone companies or electric, light and power companies upon which personal property consisting of transmission and distribution lines is situated and assessed pursuant to sections 273.37, 273.38, 273.40 and 273.41, or upon which are situated the communication lines of express, railway, telephone or telegraph companies, ~~and~~ *or* pipelines used for the transmission and distribution of

petroleum products, *or the equipment items of a cable communications company subject to sections 238.35 to 238.42*;

(c) Property presently owned by any educational institution chartered by the territorial legislature;

(d) Indian lands;

(e) Property of any corporation organized as a tribal corporation under the Indian Reorganization Act of June 18, 1934, (Statutes at Large, volume 48, page 984);

(f) Real property owned by the state and leased pursuant to section 161.23 or 161.431, and acts amendatory thereto;

(g) Real property owned by a seaway port authority on June 1, 1967, upon which there has been constructed docks, warehouses, tank farms, administrative and maintenance buildings, railroad and ship terminal facilities and other maritime and transportation facilities or those directly related thereto, together with facilities for the handling of passengers and baggage and for the handling of freight and bulk liquids, and personal property owned by a seaway port authority used or usable in connection therewith, when said property is leased to a private individual, association or corporation, but only when such lease provides that the said facilities are available to the public for the loading and unloading of passengers and their baggage and the handling, storage, care, shipment, and delivery of merchandise, freight and baggage and other maritime and transportation activities and functions directly related thereto, but not including property used for grain elevator facilities; it being the declared policy of this state that such property when so leased is public property used exclusively for a public purpose, notwithstanding the one-year limitation in the provisions of section 273.19;

(h) Notwithstanding the provisions of clause (g), when the annual rental received by a seaway port authority in any calendar year for such leased property exceeds an amount reasonably required for administrative expense of the authority per year, plus promotional expense for the authority not to exceed the sum of $100,000 per year, to be expended when and in the manner decided upon by the commissioners, plus an amount sufficient to pay all installments of principal and interest due, or to become due, during such calendar year and the next succeeding year on any revenue bonds issued by the authority, plus 25 percent of the gross annual rental to be retained by the authority for improvement, development, or other contingencies, the authority shall make a payment in lieu of real and personal property taxes of a reasonable portion of the remaining annual rental to the county treasurer of the county in which such seaway port authority is principally located. Any such payments to the county treasurer shall be disbursed by the treasurer on the same basis as real estate taxes are divided among the various governmental units, but if such port authority shall have received funds from the state of Minnesota and funds from any city and county pursuant to Laws 1957, chapters 648, 831, and 849 and acts amendatory thereof, then such disbursement by the county treasurer shall be on the same basis as real estate taxes are divided among the various governmental units, except that the portion of such payments which would otherwise go to other taxing units shall be divided equally among the state of Minnesota and said county and city.

Sec. 8. Minnesota Statutes 1992, 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), clauses (1), (2), and (3), or paragraph (d), *other than those that qualify for exemption under clause (25)*;

(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, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 274.19, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment

used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or 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: (i) land described in section 103G.005, subdivision 18; (ii) 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; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do 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. Upon receipt of an application for the exemption provided in this clause 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 hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

(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 clause (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 have 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, nonprofit 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) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care,

work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations 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 to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1990, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, installed after January 1, 1991, and used as an electric power source.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for: (i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or (ii) 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 which meets each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an onsite congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and is primarily used to provide recreational opportunities for disabled veterans and their families.

Sec. 9. Minnesota Statutes 1992, section 272.02, subdivision 4, is amended to read:

Subd. 4. [CONVERSION TO EXEMPT OR TAXABLE USES.] (a) Any property exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to July 1 of any year, shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by July 1, the intended use of the property, determined by the county assessor, based upon all relevant facts.

(b) Property subject to tax on January 2 that is acquired by a governmental entity, *institution of public charity,* church, or educational institution before July 1 of the year is exempt for that assessment year if (1) the property is to be used for an exempt purpose under subdivision 1, clauses (1) to (7)~~, and (2) the property is not subject to the filing requirement under section 272.025~~.

Sec. 10. Minnesota Statutes 1992, section 272.115, subdivision 1, is amended to read:

Subdivision 1. ~~Except as provided in subdivision 1a,~~ Whenever any real estate is sold for a consideration in excess of $1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located ~~within 30 days of the sale~~ *when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1.* Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any

lien or liens assumed. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate.

Sec. 11. Minnesota Statutes 1992, section 272.115, subdivision 4, is amended to read:

Subd. 4. No real estate sold or transferred on or after January 1, 1993, under subdivision ~~1a~~ *1* shall be classified as a homestead, 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 or transfer of the property.

Sec. 12. Minnesota Statutes 1992, section 273.061, subdivision 8, is amended to read:

Subd. 8. [POWERS AND DUTIES.] The county assessor shall have the following powers and duties:

(1) To call upon and confer with the township and city assessors in the county, and advise and give them the necessary instructions and directions as to their duties under the laws of this state, to the end that a uniform assessment of all real property in the county will be attained.

(2) To assist and instruct the local assessors in the preparation and proper use of land maps and record cards, in the property classification of real and personal property, and in the determination of proper standards of value.

(3) To keep the local assessors in the county advised of all changes in assessment laws and all instructions which the assessor receives from the commissioner of revenue relating to their duties.

(4) To have authority to require the attendance of groups of local assessors at sectional meetings called by the assessor for the purpose of giving them further assistance and instruction as to their duties.

(5) To immediately commence the preparation of a large scale topographical land map of the county, in such form as may be prescribed by the commissioner of revenue, showing thereon the location of all railroads, highways and roads, bridges, rivers and lakes, swamp areas, wooded tracts, stony ridges and other features which might affect the value of the land. Appropriate symbols shall be used to indicate the best, the fair, and the poor land of the county. For use in connection with the topographical land map, the assessor shall prepare and keep available in the assessor's office tables showing fair average minimum and maximum market values per acre of cultivated, meadow, pasture, cutover, timber and waste lands of each township. The assessor shall keep the map and tables available in the office for the guidance of town assessors, boards of review, and the county board of equalization.

(6) To also prepare and keep available in the office for the guidance of town assessors, boards of review and the county board of equalization, a land valuation map of the county, in such form as may be prescribed by the commissioner of revenue. This map, which shall include the bordering tier of

townships of each county adjoining, shall show the average market value per acre, both with and without improvements, as finally equalized in the last assessment of real estate, of all land in each town or unorganized township which lies outside the corporate limits of cities.

(7) To regularly examine all conveyances of land outside the corporate limits of cities of the first and second class, filed with the county recorder of the county, and keep a file, by descriptions, of the considerations shown thereon. From the information obtained by comparing the considerations shown with the market values assessed, the assessor shall make recommendations to the county board of equalization of necessary changes in individual assessments or aggregate valuations.

(8) To prepare annually and keep available in the assessor's office for the guidance of boards of review and the county board of equalization, a table showing the market value per capita of all personal property in each assessment district in the county as finally equalized in the last previous assessment of personal property. For the guidance of the county board of equalization, the assessor shall also add to the table the market value per capita of all personal property of each assessment district for the current year as equalized by the local board of review.

(9) To become familiar with the values of the different items of personal property so as to be in a position when called upon to advise the boards of review and the county board of equalization concerning property, market values thereof.

(10) While the county board of equalization is in session, to give it every possible assistance to enable it to perform its duties. The assessor shall furnish the board with all necessary charts, tables, comparisons, and data which it requires in its deliberations, and shall make whatever investigations the board may desire.

(11) At the request of either the board of county commissioners or the commissioner of revenue, to investigate applications for reductions of valuation and abatements and settlements of taxes, examine the real or personal property involved, and submit written reports and recommendations with respect to the applications, in such form as may be prescribed by the board of county commissioners and commissioner of revenue.

(12) To make diligent search each year for real and personal property which has been omitted from assessment in the county, and report all such omissions to the county auditor.

(13) To regularly confer with county assessors in all adjacent counties about the assessment of property in order to uniformly assess and equalize the value of similar properties and classes of property located in adjacent counties. The conference shall emphasize the assessment of agricultural and commercial and industrial property or other properties that may have an inadequate number of sales in a single county.

(14) To render such other services pertaining to the assessment of real and personal property in the county as are not inconsistent with the duties set forth in this section, and as may be required by the board of county commissioners or by the commissioner of revenue.

(15) To maintain a record, in conjunction with other county offices, of all transfers of property to assist in determining the proper classification of

property, including but not limited to transferring homestead property and name changes on homestead property.

(16) To determine if a homestead application is required due to the transfer of homestead property or an owner's name change on homestead property.

Sec. 13. Minnesota Statutes 1992, section 273.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in ~~subdivisions 6, 8, 9, 11, and 14~~ *this section* or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under $100 is rounded up to $100 and any amount exceeding $100 shall be rounded to the nearest $100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. The assessor shall take into account the effect on the market value of property of environmental factors in the vicinity of the property. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for a fair, voluntary sale, for cash. In valuing real property which is vacant, platted property shall be assessed as provided in subdivision 14. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 14. Minnesota Statutes 1992, section 273.11, is amended by adding a subdivision to read:

Subd. 1a. [LIMITED MARKET VALUE.] *After determining the value of any property, the assessor shall compare that value with an average value determined under this subdivision. For taxes levied in 1993 only, the average value is the average of the values determined under subdivision 1 for taxes levied in 1992 and for taxes levied in 1993. For taxes levied in 1994 and subsequent years, the average value is the average of the values determined under subdivision 1 for taxes levied in the current year and the two preceding years. The value subject to taxation shall be the lesser of the value determined under subdivision 1, or the average value determined under this subdivision. For purposes of the assessment/sales ratio study conducted under section 124.2131, market values determined under subdivision 1 shall be used. For purposes of the computation of state aids paid under chapters 124, 124A, 273, and 477A, limited market values determined under this subdivision shall be used.*

Sec. 15. Minnesota Statutes 1992, section 273.11, subdivision 5, is amended to read:

Subd. 5. [LIMITATIONS ON REVIEW OF VALUATION.] Notwithstanding any other provision of law to the contrary, the limitation contained in ~~subdivision~~ *subdivisions* 1 *and 1a* shall also apply to the authority of the local board of review as provided in section 274.01, the county board of equalization as provided in section 274.13, the state board of equalization and the commissioner of revenue as provided in sections 270.11, 270.12 and 270.16.

Sec. 16. Minnesota Statutes 1992, section 273.11, subdivision 6a, is amended to read:

Subd. 6a. [~~RESIDENTIAL~~ FIRE-SAFETY SPRINKLER SYSTEMS.] For purposes of property taxation, the market value of automatic fire-safety sprinkler systems *installed in existing buildings after January 1, 1992* meeting the standards of the Minnesota fire code shall be excluded from the market value of (1) existing multifamily 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 and (2) existing real estate containing four or more contiguous residential units for use by customers of the owner, such as hotels, motels, and lodging houses *and (3) existing office buildings or mixed use commercial-residential buildings, in which at least one story capable of occupancy is at least 75 feet above the ground. The market value exclusion under this section shall expire if the property is sold.*

Sec. 17. Minnesota Statutes 1992, section 273.11, is amended by adding a subdivision to read:

Subd. 15. [VACANT HOSPITALS.] *In valuing a hospital, as defined in section 144.50, subdivision 2, that is located outside of a metropolitan county, as defined in section 473.121, subdivision 4, and that on the date of sale is vacant and not used for hospital purposes or for any other purpose, the assessor's estimated market value for taxes levied in the year of the sale shall be no greater than the sales price of the property, including both the land and the buildings, as adjusted for terms of financing. If the sale is made later than December 15, the market value as determined under this subdivision shall be used for taxes levied in the following year.*

Sec. 18. Minnesota Statutes 1992, 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. 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, *including both the market value determined under section 273.11, subdivision 1, and the limited market value determined under section 273.11, subdivision 1a*, 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. 19. Minnesota Statutes 1992, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) 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 residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural 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, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) 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.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph, "relative" means a parent, stepparent, child, stepchild, spouse, grandparent, grandchild, brother, *or* sister~~, uncle, or aunt~~. This relationship may be by blood or marriage. Property that was classified as seasonal recreational residential property at the time when treatment under this paragraph would first apply shall continue to be

classified as seasonal recreational residential property for the first ~~two~~ *three* assessment years beginning after the date when the relative of the owner occupies the property as a homestead; this delay also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. ~~In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph~~ *Agricultural property that is classified as a homestead under this paragraph qualifies in its entirety as class 2a property, provided that this treatment is available only for one property owned by an individual and occupied by a relative of that individual.*

Sec. 20. Minnesota Statutes 1992, section 273.124, is amended by adding a subdivision to read:

Subd. 6a. [PRELIMINARY APPROVAL OF LEASEHOLD COOPERATIVES.] *Preliminary approval for classification as a leasehold cooperative may be granted to property when a developer proposes to construct one or more residential dwellings or buildings using funds provided by the Minnesota housing finance agency if all of the following conditions are met:*

(a) The developer must present an affidavit to the county attorney and to the governing body of the municipality that includes a statement of the developer's intention to comply with all requirements in subdivision 6, and a detailed description of the plan for doing so.

(b) The commissioner of the Minnesota housing finance agency must provide the county attorney and governing body with a description of the financing and related terms the commissioner proposes to provide with respect to the project, together with an objective assessment of the likelihood that the project will comply with the requirements of subdivision 6.

(c) The county attorney must review the materials provided under paragraphs (a) and (b), and may require the developer or the Minnesota housing finance agency to provide additional information. If the county attorney determines that it is reasonably likely that the project will meet the requirements of this subdivision, the county attorney shall provide preliminary approval to treatment of the property as a leasehold cooperative.

(d) The governing body shall conduct a public hearing as provided in subdivision 6, paragraph (j), and make its preliminary findings based on the information provided by the developer and the Minnesota housing finance agency.

Upon completion of the project and creation of the leasehold cooperative, actual compliance with the requirements of this subdivision must be demonstrated, and certified by the county attorney. A second hearing by the governing body is not required.

If the county attorney finds that the homestead treatment granted pursuant to a preliminary approval under this subdivision must be revoked because the completed project failed to meet the requirements of this subdivision, the benefits of the treatment shall be recaptured. The county assessor shall determine the amount by which the tax imposed on the property was reduced because it was treated as a leasehold cooperative. The developer shall be

charged an amount equal to the tax reduction received or, if the county attorney determines that the failure to meet the requirements was due to the developer's intentional disregard of the requirements, 150 percent of the tax reduction received. The penalty must be paid to the county treasurer within 90 days after receipt of a statement from the treasurer. The proceeds of the penalty shall be distributed to the local taxing jurisdictions in proportion to the amounts of their levies on the property.

Sec. 21. Minnesota Statutes 1992, section 273.124, subdivision 9, is amended to read:

Subd. 9. [HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.] Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead by ~~June~~ *December* 1 of a year, constitutes class 1 or class 2a.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor under section 273.063, in writing, ~~prior to June~~ *by December* 15 of the year of occupancy in order to qualify under this subdivision. The assessor must not deny full homestead treatment to a property that is partially homesteaded on January 2 but occupied for the purpose of a full homestead by ~~June~~ *December* 1 of a year.

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

If homestead classification has not been requested as of December 15, the assessor will classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, may be entitled to receive homestead classification by proper application as provided in section 375.192.

The county assessor ~~shall~~ *may* publish in a newspaper of general circulation within the county ~~no later than June 1 of each year~~ a notice ~~informing~~ *requesting* the public ~~of the requirement~~ to file an application for homestead ~~prior to June 15~~ *as soon as practicable after acquisition of a homestead, but no later than December 15.*

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

Sec. 22. Minnesota Statutes 1992, section 273.124, is amended by adding a subdivision to read:

Subd. 17. [PROPERTY UNDERGOING RENOVATION.] *Property that is not occupied as a homestead on the assessment date will be classified as a homestead if it meets each of the following requirements on that date:*

(a) The structure is a single family or duplex residence.

(b) The property is owned by a church or an organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986.

(c) The organization is in the process of renovating the property for use as a homestead by an individual or family whose income is no greater than 60 percent of the county or area gross median income, adjusted for family size, and that renovation process and conveyance for use as a homestead can reasonably be expected to be completed by the end of the calendar year.

The organization must apply to the assessor for classification under this subdivision within 30 days of its acquisition of the property, and must provide the assessor with the information necessary for the assessor to determine whether the property qualifies.

Sec. 23. Minnesota Statutes 1992, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. If the market value of the house, garage, and surrounding one acre of land is less than $115,000, the value of the remaining land including improvements equal to the difference between $115,000 and the market value of the house, garage, and surrounding one acre of land has a net class rate of ~~.45~~ *.35* percent of market value and a gross class rate of 1.75 percent of market value. The remaining value of class 2a property over $115,000 of market value that does not exceed 320 acres has a net class rate of ~~1.3~~ *1.0* percent of market value, and a gross class rate of 2.25 percent of market value. The remaining property over the $115,000 market value in excess of 320 acres has a class rate of ~~1.6~~ *1.4* percent of market value, and a gross class rate of 2.25 percent of market value.

(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 not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; and (3)* real estate that is nonhomestead agricultural land. Class 2b property has a net class rate of 1.6 percent of market value, *except that nonhomestead agricultural land has a net class rate of 1.4 percent* and a gross class rate of 2.25 percent of market value.

(c) Agricultural land as used in this section 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 state or federal farm programs. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products.

(d) Real estate of less than ten acres used principally for raising or cultivating agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

(e) The term "agricultural products" as used in this subdivision includes:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections

18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1); and

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

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. 24. Minnesota Statutes 1992, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a class rate of ~~3.3~~ *3* percent of the first $100,000 of market value for taxes payable in ~~1990, 3.2 percent for taxes payable in 1991, 3.1 percent for taxes payable in 1992, and three percent for taxes payable in~~ 1993 and thereafter, and 5.06 percent of the market value over $100,000. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a reduced class rate on the first $100,000 of market value. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first $100,000 of market value, *except that:*

(1) if the market value of the parcel is less than $100,000, and additional parcels are owned by the same person or entity in the same city or town within that county, the reduced class rate shall be applied up to a combined total market value of $100,000 for all parcels owned by the same person or entity in the same city or town within the county; and

(2) in the case of grain, fertilizer, and feed elevator facilities, the limitation to one parcel per owner per county for the reduced class rate shall not apply, but there shall be a limit of $100,000 of preferential value per site of contiguous parcels owned by the same person or entity. For purposes of this subdivision, contiguous parcels include parcels separated only by a railroad or public road right-of-way.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first $50,000 of market value and 3.6 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 class rate of the first $100,000 of market value and the class rate of the remainder is determined under paragraph (a), 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. 25. Minnesota Statutes 1992, 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 has a class rate of ~~3.5 percent of market value for taxes payable in 1992, and~~ 3.4 percent of market value ~~for taxes payable in 1993 and thereafter~~.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4b property has a class rate of ~~2.8 percent of market value for taxes payable in 1992,~~ 2.5 percent of market value for taxes payable in 1993, and 2.3 percent of market value for taxes payable in 1994 and thereafter.

(c) Class 4c property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low- and moderate-income families as defined in Title II, as amended through December 31, 1990, of the National Housing Act or the Minnesota housing finance agency law of 1971, as amended, or rules promulgated by the agency and financed by a direct federal loan or federally insured loan made pursuant to Title II of the Act; or

(ii) situated on real property that is used for housing the elderly or for low- and moderate-income families as defined by the Minnesota housing finance agency law of 1971, as amended, or rules adopted by the agency pursuant thereto and financed by a loan made by the Minnesota housing finance agency pursuant to the provisions of the act.

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 as defined in section 42(c)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1990, that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1990; or (ii) meets the requirements of that section and receives public financing, except financing provided under sections 469.174 to 469.179, which contains terms restricting the rents; or (iii) meets the requirements of section 273.1317. Classification pursuant to this clause is limited to a term of 15 years.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents unless the owner of the property elects to have the property assessed under Laws 1991, chapter 291, article 1, section 55. If the owner of the property elects to have the market value determined on the basis of the actual restricted rents, as provided in Laws 1991, chapter 291, article 1, section 55, the property will be assessed at the rate provided for class 4a or class 4b property, as appropriate. Properties described in clauses (1)(ii), (3), and (4) may apply to the assessor for valuation under Laws 1991, chapter 291, article 1, section 55. The land on which these structures are situated has the class rate given in paragraph (b) if the structure contains fewer than four units, and the class rate given in paragraph (a) if the structure contains four or more units. This clause applies only to the property of a nonprofit or limited dividend entity.

(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 317A;

(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

(5) except as provided in subdivision 22, paragraph (c), 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 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. 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 250 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 this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The first $100,000 of the market value of the remainder of the cabins or units and a proportionate share of the land on which they are located shall have a class

rate of three percent. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the second year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(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, 1990. 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 3.2 percent 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;

(7) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus; and

(8) manufactured home parks as defined in section 327.14, subdivision 3.

Class 4c property has a class rate of 2.3 percent of market value, except that (i) *for* each parcel of seasonal residential recreational property not used for commercial purposes under clause (5) ~~has a class rate of 2.2 percent of market value for taxes payable in 1992, and for taxes payable in 1993 and thereafter~~, the first $72,000 of market value on each parcel has a class rate of two percent and the market value of each parcel that exceeds $72,000 has a class rate of 2.5 percent, and (ii) manufactured home parks assessed under clause (8) have a class rate of two percent for taxes payable in 1993 *and 1994* only.

(d) Class 4d property includes:

(1) a structure that is:

(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 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 class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. For ~~property for which application is made for 4c or 4d classification for taxes payable in 1994 and thereafter, and which was not classified 4c or 4d for taxes payable in 1993~~ *those properties*, 4c or 4d classification is available only for those units meeting the requirements of section 273.1318.

Classification under this clause is only available to property of a nonprofit or limited dividend entity.

(2) For taxes payable in 1992, 1993 and 1994, only, buildings and appurtenances, together with the land upon which they are located, leased by the occupant under the community lending model lease-purchase mortgage loan program administered by the Federal National Mortgage Association, provided the occupant's income is no greater than 60 percent of the county or area median income, adjusted for family size and the building consists of existing single family or duplex housing. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. The application must be accompanied by an affidavit or other proof required by the assessor to determine qualification under this clause.

(3) Qualifying buildings and appurtenances, together with the land upon which they are located, leased for a period of up to five years by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority authorized under sections 469.001 to 469.047, provided the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size, and the building consists of two or less dwelling units. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. The administering agency shall verify the occupants income eligibility and certify to the county assessor that the occupant meets the income criteria under this paragraph. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. For purposes of this section, "qualifying buildings and appurtenances" shall be defined as one or two unit residential buildings which are unoccupied and have been abandoned and boarded for at least six months.

Class 4d property has a class rate of two percent of market value.

(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (3); paragraph (c), clause (1), (2), (3), or (4), is assessed at the class rate applicable to it

under Minnesota Statutes 1988, section 273.13, if it is found to be a substandard building under section 273.1316. Residential rental property that would otherwise be assessed as class 4 property under paragraph (d) is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.

Sec. 26. Minnesota Statutes 1992, section 273.13, subdivision 33, is amended to read:

Subd. 33. [CLASSIFICATION OF UNIMPROVED PROPERTY.] (a) ~~Except as provided in paragraph~~ *All real property that is not improved with a structure must be classified according to its current use.*

(b)~~,~~ Real property that is not improved with a structure *and for which there is no identifiable current use* must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

~~(b) Real property that is not improved with a structure and is in commercial, industrial, or agricultural use under this section must be classified according to its actual use.~~

Sec. 27. Minnesota Statutes 1992, section 273.1318, subdivision 1, is amended to read:

Subdivision 1. [INCOME LIMITATION.] (a) Subject to the exception in paragraph (b), for a building for which application is made for class 4c for taxes payable in 1994 and thereafter, and which was not class 4c for taxes payable in 1993, only those units occupied by a household whose income is 100 percent or less of the county or area median income adjusted for family size as determined by the department of housing and urban development are eligible for class 4c.

(b) For a building for which application is made for class 4c for taxes payable in 1994 and thereafter, ~~and which was not class 4c for taxes payable in 1993, but~~ for which a formal application was received by a local, state, or federal agency for financing, refinancing, or insurance before July 1, 1992, *and for a building that was classified as class 4c for taxes payable in 1993 or an earlier year,* the income limit is 100 percent or less of county or area median income not adjusted for family size as determined by the department of housing and urban development.

Sec. 28. Minnesota Statutes 1992, section 273.1398, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

(c) "Gross tax capacity" means the product of the gross class rates and estimated market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing

jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the gross tax capacity of transmission lines deducted from a local government's total gross tax capacity under section 273.425. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of (i) the appropriate net class rates for the year in which the aid is payable, except that for aids payable in 1992 the class rate applied to class 4b property shall be 2.9 percent; the class rate applied to class 4a property shall be 3.55 percent; the class rate applied to noncommercial seasonal recreational residential property shall be 2.25 percent; and the class rates applied to portions of class 1a, 1b, and 2a property shall be 2 percent for the market value between $68,000 and $110,000 and 2.5 percent for the market value over $110,000; for aid payable in 1993 the class rate applicable to class 4a shall be 3.5 percent; and the class rate applicable to class 4b shall be 2.65 percent; and for aid payable in 1994 the class rate applicable to class 4b shall be 2.4 percent*; and the class rate applicable to class 2b and that portion of class 2a over $115,000 market value and in excess of 320 acres shall be 1.6 percent*, and (ii) estimated market values for the assessment two years prior to that in which aid is payable. The reclassification of mobile home parks as class 4c shall not be considered in determining net tax capacity for purposes of this paragraph for aids payable in 1991 or 1992. Any reclassification of property by Laws 1991, chapter 291, shall not be considered in determining net tax capacity for aids payable in 1992. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity shall be multiplied by the ratio of the highest class rate for class 3a property for taxes payable in the year in which the aid is payable to the highest class rate for class 3a property in the prior year. Net tax capacity cannot be less than zero.

(c) "Previous net tax capacity" means the product of the appropriate net class rates for the year previous to the year in which the aid is payable, and estimated market values for the assessment two years prior to that in which aid is payable. "Total previous net tax capacity" means the previous net tax capacities for all property within the unique taxing jurisdiction. The total previous net tax capacity shall be reduced by the sum of (1) the unique taxing jurisdiction's previous net tax capacity of commercial-industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the previous net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and

(3) the previous net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. Previous net tax capacity cannot be less than zero.

(f) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. The equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(g) "1989 local tax rate" means the quotient derived by dividing the gross taxes levied within a unique taxing jurisdiction for taxes payable in 1989 by the gross tax capacity of the unique taxing jurisdiction for taxes payable in 1989. For computation of the local tax rate for aid payable in 1991 and subsequent years, gross taxes for taxes payable in 1989 exclude equalized levies as defined in subdivision 2a. For purposes of computation of the local tax rate only, gross taxes shall not be adjusted by inflation or household growth.

(h) "Current local tax rate" means the quotient derived by dividing the taxes levied within a unique taxing jurisdiction for taxes payable in the year prior to that for which aids are being calculated by the net tax capacity of the unique taxing jurisdiction.

(i) For purposes of calculating the homestead and agricultural credit aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's 1989 local tax rate; (ii) its total net tax capacity; and (iii) 0.9767.

(j) For purposes of calculating and allocating homestead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties," "gross taxes," or "taxes levied" means the total taxes 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 or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction. Gross taxes levied on all properties or gross taxes are before reduction by any credits for taxes payable in 1989. "Gross taxes" are before any reduction for disparity reduction aid but "taxes levied" are after any reduction for disparity reduction aid. Gross taxes levied or taxes levied cannot be less than zero.

"Taxes levied" excludes actual amounts levied for purposes listed in subdivision 2a.

(k) "Human services aids" means:

(1) aid to families with dependent children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(3) general assistance medical care under section 256D.03, subdivision 6;

(4) general assistance under section 256D.03, subdivision 2;

(5) work readiness under section 256D.03, subdivision 2;

(6) emergency assistance under section 256.871, subdivision 6;

(7) Minnesota supplemental aid under section 256D.36, subdivision 1;

(8) preadmission screening and alternative care grants;

(9) work readiness services under section 256D.051;

(10) case management services under section 256.736, subdivision 13;

(11) general assistance claims processing, medical transportation and related costs; and

(12) medical assistance, medical transportation and related costs.

(l) "Cost-of-living adjustment factor" means the greater of one or one plus the percentage increase in the consumer price index minus .36 percent. In no case may the cost of living adjustment factor exceed 1.0394.

(m) The percentage increase in the consumer price index means the percentage, if any, by which:

(1) the consumer price index for the calendar year preceding that in which aid is payable, exceeds

(2) the consumer price index for calendar year 1989.

(n) "Consumer price index for any calendar year" means the average of the consumer price index as of the close of the 12-month period ending on May 31 of such calendar year.

(o) "Consumer price index" means the last consumer price index for all-urban consumers published by the department of labor. For purposes of the preceding sentence, the revision of the consumer price index which is most consistent with the consumer price index for calendar year 1989 shall be used.

(p) "Household adjustment factor" means the number of households for the second most recent year preceding that in which the aids are payable divided by the number of households for the third most recent year. The household adjustment factor cannot be less than one.

(q) "Growth adjustment factor" means the household adjustment factor in the case of counties, cities, and towns. In the case of school districts the growth adjustment factor means the average daily membership of the school district under section 124.17, subdivision 2, for the school year ending in the second most recent year preceding that in which the aids are payable divided by the average daily membership for the third most recent year. In the case of special taxing districts, the growth adjustment factor equals one. The growth adjustment factor cannot be less than one.

(r) For aid payable in 1992 and subsequent years, "homestead and agricultural credit base" means the previous year's certified homestead and agricultural credit aid determined under subdivision 2 less any permanent aid reduction in the previous year to homestead and agricultural credit aid under section 477A.0132, plus, for aid payable in 1992, fiscal disparity homestead and agricultural credit aid under subdivision 2b.

(s) "Net tax capacity adjustment" means (1) the total previous net tax capacity minus the total net tax capacity, multiplied by (2) the unique taxing

jurisdiction's current local tax rate. The net tax capacity adjustment cannot be less than zero.

(t) "Fiscal disparity adjustment" means the difference between (1) a taxing jurisdiction's fiscal disparity distribution levy under section 473F.08, subdivision 3, clause (a), for taxes payable in the year prior to that for which aids are being calculated, and (2) the same distribution levy multiplied by the ratio of the highest class rate for class 3 property for taxes payable in the year prior to that for which aids are being calculated to the highest class rate for class 3 property for taxes payable in the second prior year to that for which aids are being calculated. In the case of school districts, the fiscal disparity distribution levy shall exclude that part of the levy attributable to equalized school levies as defined in subdivision 2a.

Sec. 29. Minnesota Statutes 1992, section 273.1398, subdivision 7, is amended to read:

Subd. 7. [APPROPRIATION.] (a) An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, except aid provided under subdivisions 4 and 5 for fiscal year 1993 only, is annually appropriated from the general fund to the commissioner of education. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts, except as provided under paragraph (b), is ~~annually~~ appropriated *in 1993 and 1994* from the local government trust fund *and annually thereafter from the general fund* to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

(b) An amount sufficient to pay the aid provided under subdivision 5a is appropriated four percent from the local government trust fund and 96 percent from the general fund in fiscal year 1993 and entirely from the general fund in fiscal year 1994 and thereafter.

Sec. 30. Minnesota Statutes 1992, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must clearly state that each taxing authority, other than a town or special taxing district, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail. *For hearings held in 1993 only, the notice must clearly state that each taxing authority holding a public meeting will present information for discussion at that meeting regarding the compensation*

paid to its employees in the current and the next succeeding budget year, and how those amounts relate to its property tax levies.

(d) The notice must state for each parcel:

(1) the market value of the property as defined under section 272.03, subdivision 8, for property taxes payable in the following year and for taxes payable the current year, *including both the market value determined under section 273.11, subdivision 1, and the limited market value determined under section 273.11, subdivision 1a*; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district, the sum of the special taxing districts, and as a total of the taxing authorities, including special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year. In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) any additional amount levied in lieu of a local sales and use tax, unless this amount is included in the proposed or final taxes.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 31. Minnesota Statutes 1992, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. [PUBLIC ADVERTISEMENT.] (a) A city that has a population of more than 1,000, county, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing. The notice must be published not less than two business days nor more than six business days before the hearing.

~~For a city that has a population of more than 1,000 but less than 2,500~~ The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. ~~The first headline in the advertisement stating the notice of proposed property taxes and the notice of public hearing must be in a type no smaller than 14 point, and the second headline must be in a type no smaller than 12 point. The text of the advertisement must be no smaller than 10 point, except that the property tax amounts and percentages may be in 9 point type.~~

~~For a city that has a population of 2,500 or more, a county or a school district, the first headline in the advertisement stating the notice of proposed property taxes and the notice of public hearing must be in a type no smaller than 30 point, and the second headline must be in a type no smaller than 22 point. The text of the advertisement must be no smaller than 14 point, except that the property tax amounts and percentages may be in 12 point type.~~

The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

(b) The advertisement must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF

PROPOSED PROPERTY TAXES

(City/County/School District) of .....

The governing body of ..... will soon hold budget hearings and vote on the

property taxes for (city/county services that will be provided in 199__/school district services that will be provided in 199__ and 199__).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (city/county/school district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) A city with a population of 1,000 or less must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

(d) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

(e) The commissioner of revenue, subject to the approval of the chairs of the house of representatives tax committee and senate taxes and tax laws committee, shall prescribe the form and format of the advertisement.

(f) For 1993 only, each city, county, and school district must include in the advertisement required under this subdivision, information comparing current and proposed employee compensation costs in the current and next succeeding budget year, and a statement that its employee compensation costs for these periods will be discussed at the public meeting required under this section. The commissioner of revenue, subject to the approval of the chairs of the house of representatives tax committee and senate taxes and tax laws committee, shall specify the form, format, and content of the information to be included in the advertisement.

(g) Beginning in 1993, the commissioner of revenue shall prescribe the form, format, and content of a notice comparing current and proposed employee compensation costs for the executive branch of the state, the University of Minnesota, the community college system, the state board of technical colleges, the state university system, the metropolitan council, the metropolitan mosquito control commission, metropolitan airports commission, metropolitan waste control commission, and the regional transit board. The notice must be at least one-eighth page size of a standard-size or tabloid-size newspaper. The notice must be published statewide, on or before December 31 each year, provided that the information regarding the metropolitan agencies is only required to be published in newspapers of general circulation within the metropolitan area. The notice must be published in official newspapers of general circulation. The newspapers selected must be of general interest and readership, and not of limited subject matter. The notice must be published in a sufficient number of newspapers so as to cover the geographical area of the state. The notice must be published in newspapers that are published at least once per week, and the notice must not be placed in the part of any newspaper where legal notices and classified advertisements appear. The form, format, and content of each year's notice must be approved by the chairs of the house of representatives tax committee and senate taxes and tax laws committee prior to publication.

Sec. 32. Minnesota Statutes 1992, section 275.065, subdivision 6, is amended to read:

Subd. 6. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] Between November 29 and December 20, the governing bodies of the city and county shall each hold a public hearing to ~~adopt~~ *discuss and seek public comment on* its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold a public hearing to review its current budget and ~~adopt its~~ *proposed* property tax levy for taxes payable in the following year.

At ~~the~~ *a subsequent* hearing, the taxing authority, other than a school district, may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy, and the school district may amend the proposed property tax levy and must adopt a final property tax levy.

The property tax levy certified under section 275.07 by a city, county, or school district must not exceed the proposed levy determined under subdivision 1, 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 124.82, subdivision 3, 124A.03, subdivision 2, 124B.03, subdivision 2, or 136C.411, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters 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 subdivision 6a;

(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 subdivision 6a; and

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of revenue or the commissioner of education after the proposed levy was certified.

At the hearing *under this subdivision*, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. *At the hearing held in 1993 only, specific information must be presented on: (i) the percentage of the proposed budget representing employee compensation costs; (ii) total expenditures for employee wages and benefits in the two previous years, the current calendar year, and proposed for the following year; (iii) numbers of employees by general classification and whether full or part time in the two previous years, the current calendar year, and proposed for the following year; and (iv) how changes in employee compensation costs between the current and proposed budgets compare with, and affect, the current and proposed levies.* During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions

~~prior to adoption of any measures by the governing body.~~ *At a subsequent hearing,* the governing body, other than the governing body of a school district, shall adopt its final property tax levy prior to adopting its final budget.

If the hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continued hearing must be held at least five business days but no more than 14 business days after the original hearing.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. The governing body of a county shall hold ~~its~~ *a* hearing on the second Tuesday in December each year, *and may hold additional hearings on other dates before December 20 if necessary for the convenience of county residents*. The county auditor shall provide for the coordination of hearing dates for all cities and school districts within the county.

By August 15, each school board shall certify to the county auditors of the counties in which the school district is located the dates on which it elects to hold its hearings and any continuations. If a school board does not certify the dates by August 15, the auditor will assign the hearing date. The dates elected or assigned must not conflict with the county hearing dates. By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts have elected to hold their hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its hearings and any continuations. The city must not select dates that conflict with the county hearing dates or with those elected by or assigned to the school districts in which the city is located.

The county hearing dates and the city and school district hearing dates must be designated on the notices required under subdivision 3. The continuation dates need not be stated on the notices.

This subdivision does not apply to towns and special taxing districts.

Sec. 33. Minnesota Statutes 1992, section 276.02, is amended to read:

276.02 [TREASURER TO BE COLLECTOR.]

The county treasurer shall collect all taxes extended on the tax lists of the county and the fines, forfeitures, or penalties received by any person or officer for the use of the county. The treasurer shall collect the taxes according to law and credit them to the proper funds. This section does not apply to fines and penalties accruing to municipal corporations for the violation of their ordinances that are recoverable before a city justice. The county board may by resolution authorize the treasurer to impose a charge for any dishonored checks.

The county board may, by resolution, authorize the treasurer or other designees to accept payments by credit card and charge a fee for its use. The fee charged shall be commensurate with the costs assessed by the card issuer.

Sec. 34. Minnesota Statutes 1992, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue

shall prescribe the form of the property tax statement and its contents. The statement must contain 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 must be separately stated. 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 the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value as defined in section 272.03, subdivision 8, *including both the market value determined under section 273.11, subdivision 1, and the limited market value determined under section 273.11, subdivision 1a*;

(2) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total local tax rate and adding to the result the sum of the aids enumerated in clause (3);

(3) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

(4) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(5) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief";

(6) the net tax payable in the manner required in paragraph (a); and

(7) any additional amount of tax authorized under sections 124A.03, subdivision 2a, and 275.61. These amounts shall be listed as "voter approved referenda levies."

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter, the commissioner must certify this amount by September 1.

Sec. 35. Minnesota Statutes 1992, section 279.025, is amended to read:

279.025 [PAYMENT OF DELINQUENT PROPERTY TAXES, SPECIAL ASSESSMENTS.]

Payment of delinquent property tax and related interest and penalties and special assessments shall be paid to the county auditor with United States currency or by check or money order drawn on a bank or other financial institution in the United States. *The county board may, by resolution, authorize the treasurer or other designees to accept payments of delinquent taxes by credit card and charge a fee for its use. The fee charged shall be commensurate with the costs assessed by the card issuer. A credit card shall not be used to pay taxes that are in their second or subsequent year of delinquency, or interest and penalties related to those taxes.*

Sec. 36. Minnesota Statutes 1992, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. The delinquent taxes upon a parcel of property which was classified class ~~4c pursuant to section 273.13, subdivision 9, or for taxes assessed in 1986 and thereafter, classified class~~ 3a, for the previous year's assessment and had a total market value of less than ~~$100,000~~ *$200,000* for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as herein provided.

(a) The down payment shall include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining shall be payable in four equal annual installments; and

(b) The amounts entered in judgment shall bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

Sec. 37. Minnesota Statutes 1992, section 297A.44, subdivision 4, is amended to read:

Subd. 4. [LOCAL OPTION TAX.] (a) *Prior to July 1, 1995,* the commissioner shall deposit all revenues, including interest and penalties, derived from the local option excise taxes imposed under sections 297A.021 and 297A.14 in the local government trust fund.

(b) In addition, *prior to July 1, 1995,* the commissioner shall deposit revenues derived from imposing a rate of 1.5 percent on all taxable sales, including interest and penalties, under this chapter in the local government trust fund.

Sec. 38. Minnesota Statutes 1992, section 375.192, subdivision 2, is amended to read:

Subd. 2. Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. *The county board is authorized to grant reductions or abatements only as they relate to taxes payable in the current year and the two preceding years. Reductions or abatements for prior years shall be considered or granted only for clerical errors and when the taxpayer fails to file for a reduction or an adjustment due to hardship as defined by the county board.* The application must include the social security number of the applicant. The social security number is private data on individuals as defined by section 13.02, subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. Before taking action on any reduction or abatement where the reduction of taxes, costs, penalties, and interest exceed $10,000, the county board shall give 20 days' notice to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and the reason for the reduction. If the school board or the municipality object to the granting of the reduction or abatement, the county board must refer the abatement or reduction to the commissioner of revenue with its recommendation. The commissioner shall consider the abatement or reduction under section 270.07, subdivision 1.

An appeal may not be taken to the tax court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the social security number of the applicant and such other information the commissioner prescribes.

Sec. 39. Minnesota Statutes 1992, section 429.061, is amended by adding a subdivision to read:

Subd. 5. [SPECIAL ASSESSMENTS; ADMINISTRATIVE EXPENSES.] *Notwithstanding any general or special law to the contrary, a municipality*

shall pay to the county auditor all administrative expenses incurred by the county under subdivision 3 for each special assessment of any local improvement certified by the municipality to the county auditor.

Sec. 40. Minnesota Statutes 1992, section 469.040, subdivision 3, is amended to read:

Subd. 3. [STATEMENT FILED WITH ASSESSOR; PERCENTAGE TAX ON RENTALS.] Notwithstanding the provisions of subdivision 1, after a housing project carried on under sections 469.016 to 469.026 has become occupied, in whole or in part, an authority shall file with the assessor, on or before ~~May 1~~ *April 15* of each year, a statement of the aggregate shelter rentals of that project collected during the preceding calendar year. Unless a greater amount has been agreed upon between the authority and the governing body or bodies for which the authority was created, in whose jurisdiction the project is located, five percent of the aggregate shelter rentals shall be charged to the authority as a service charge for the services and facilities to be furnished with respect to that project. The service charge shall be collected from the authority in the manner provided by law for the assessment and collection of taxes. The amount so collected shall be distributed to the several taxing bodies in the same proportion as the tax rate of each bears to the total tax rate of those taxing bodies. The governing body or bodies for which the authority has been created, in whose jurisdiction the project is located, may agree with the authority for the payment of a service charge for a housing project in an amount greater than five percent of the aggregate annual shelter rentals of any project, upon the basis of shelter rentals or upon another basis agreed upon. The service charge may not exceed the amount which would be payable in taxes were the property not exempt. If such an agreement is made, the service charge so agreed upon shall be collected and distributed in the manner above provided. If the project has become occupied, or if the land upon which the project is to be constructed has been acquired, the agreement shall specify the location of the project for which the agreement is made. "Shelter rental" means the total rentals of a housing project exclusive of any charge for utilities and special services such as heat, water, electricity, gas, sewage disposal, or garbage removal. "Service charge" means payment in lieu of taxes. The records of each housing project shall be open to inspection by the proper assessing officer.

Sec. 41. [473.334] [PROPERTY EXEMPT FROM TAXATION.]

Subdivision 1. [GENERALLY.] *Any real property owned, leased, controlled, used, or occupied by any of the implementing agencies, as defined in section 473.351, the metropolitan council, or the commission for the purposes of sections 473.302 to 473.351, is declared to be acquired, owned, leased, controlled, used and occupied for public, governmental, and municipal purposes. Such property is exempt from taxation by the state or any political subdivision of the state, provided that it is subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the property from the improvement. No possible use of the property in any manner different from its use as part of the regional recreation open space system at the time shall be considered in determining the special benefit received by the property. The assessments shall be subject to final confirmation by the metropolitan council, whose determination of the benefits is conclusive on the political subdivision levying the assessment and upon the implementing agency assessed.*

Subd. 2. [EXCEPTION.] *This section does not apply to Otter-Bald Eagle lake regional park property in the town of White Bear, Ramsey county, which shall continue to be governed by section 435.19.*

Sec. 42. Minnesota Statutes 1992, section 477A.03, subdivision 1, is amended to read:

Subdivision 1. [ANNUAL APPROPRIATION.] A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is ~~annually~~ appropriated from the local government trust fund *for payments in 1993 and 1994 and from the general fund in 1995 and thereafter* to the commissioner of revenue. For aids payable in 1993 and thereafter, the total amount of equalization aid paid under section 477A.013, subdivision 5, is limited to $20,011,000.

In 1993 and ~~subsequent years~~ *1994*, $8,400,000 per year is appropriated from the local government trust fund *and in 1995 and subsequent years, $8,400,000 per year is appropriated from the general fund* to make payments under section 477A.0121.

Sec. 43. Laws 1985, chapter 302, section 1, subdivision 3, is amended to read:

Subd. 3. [SPECIAL SERVICES.] "Special services" means all services rendered or contracted for by the city for ~~snow, ice, and litter removal and cleaning of sidewalks, curbs, gutters, and streets and for banners and other decorations to be used to identify and promote the commercial area.~~*:*

(1) snow, ice removal, and sanding of public areas;

(2) cleaning of streets, curbs, gutters, sidewalks, and alleys;

(3) watering, fertilizing, maintenance, and replacement of trees and bushes on public right-of-way;

(4) poster and handbill removal;

(5) cleaning and scrubbing of sidewalks;

(6) provision, installation, maintenance, removal, and replacement of banners and decorative items for promotion of commercial area;

(7) repair and maintenance of sidewalks;

(8) installation and maintenance of areawide security systems;

(9) provision and coordination of security personnel to supplement regular city personnel;

(10) maintenance, repair, and cleaning of commercial area directories, kiosks, benches, bus shelters, newspaper stands, trash receptacles, information booths, bicycle racks and bicycle storage containers, sculptures, murals, and other public area art pieces;

(11) installation, maintenance, and removal of lighting on commercial area trees;

(12) cost of electrical service for pedestrian and tree lighting;

(13) repair of low-level pedestrian lights and poles;

(14) provision of comprehensive liability insurance for public space improvements;

(15) trash removal and recycling costs; and

(16) provision, maintenance, and replacement of special signage relating to vehicle and bicycle parking, vehicle and pedestrian movement, and special events.

Special services do not include services that are ordinarily provided throughout the city from ordinary revenues of the city unless an increased level of service is provided in the special service district.

Sec. 44. Laws 1985, chapter 302, section 2, subdivision 1, is amended to read:

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt ~~an ordinance~~ *ordinances:*

(a) establishing a special service district in the part of Minneapolis which is south of 28th Street, west of ~~Fremont~~ *Dupont* Avenue South, north of 31st Street, and east of ~~Humboldt Avenue South~~ *East Calhoun Parkway and East Lake of the Isles Parkway; and*

(b) establishing a special service district south of Sixth Street southeast, west of Sixteenth Avenue Southeast, north of a line parallel to and 200 feet south of University Avenue and east of Twelfth Avenue Southeast.

Only property which is zoned for commercial, business, or industrial use under a municipal zoning ordinance may be included in a special service district. The ordinance shall describe with particularity the areas to be included in the district and the special services to be furnished. The ordinance may not be adopted until after a public hearing on the question. Notice of the hearing shall include:

(1) the time and place of the hearing;

(2) a map showing the boundaries of the proposed district; and

(3) a statement that all persons owning property in the proposed district will be given an opportunity to be heard at the hearing.

Sec. 45. Laws 1985, chapter 302, section 4, is amended to read:

Sec. 4. [ENLARGEMENT OF SPECIAL SERVICE DISTRICTS.]

The boundary of a special service district may be enlarged~~, to an area not to exceed one square mile,~~ within the part of Minneapolis described in section 2 only after hearing and notice as provided in section 2. Notice shall be served in the original district and in the area proposed to be added to the district. Property added to the district shall be subject to all taxes levied and service charges imposed within the district after the property becomes a part of the district.

Sec. 46. Laws 1993, chapter 11, section 3, is amended to read:

Sec. 3. [EXTENSION OF TIME FOR REPURCHASE.]

Property eligible for repurchase on or after April 25, 1992, but before the date of final enactment of this act, may be repurchased as provided in section 2 for an additional period of one year, beginning on the date of final enactment

of this act. Any right of repurchase under this section is subject to (1) sale or conveyance of the property; (2) commencement of condemnation proceedings by the state or any of its political subdivisions or by the United States; or (3) the issuance of a mineral prospecting permit or lease.

At least 30 days before the sale, lease, or conveyance of any property subject to an extension of time for repurchase under this section, the county auditor shall notify the person who was the owner at the time of forfeiture, or, if known to the auditor, any other person with a right of repurchase, of the extension of time for repurchase under this section. The notice must state that the property may be sold, leased, or conveyed unless the person notifies the county auditor within 30 days after the date of the notice of the person's intention to exercise the right of repurchase within the extended repurchase period. If the county auditor receives such notice, the property may not be sold, leased, or conveyed during the extension of time for repurchase. If no notice is received by the county auditor within the 30-day period, the county auditor may sell, lease, or convey the property.

Sec. 47. [CITY OF DULUTH; SPECIAL SERVICE DISTRICT.]

Subdivision 1. [DEFINITIONS.] *For the purpose of this section, the terms defined in this subdivision have the following meanings:*

(1) "City" means the city of Duluth.

(2) "Special services" means all services rendered or contracted for by the city, including but not limited to:

(i) the construction, repair, maintenance, and operation of any improvements authorized by Minnesota Statutes, sections 429.021 and 469.126;

(ii) the acquisition of property within a special service district, including through the use of the power of eminent domain;

(iii) the sale or lease of property in the special service district at or below "market rate" for the promotion of development within the district;

(iv) parking services rendered or contracted for by the city;

(v) promotional services provided or contracted for by the city; and

(vi) any other service provided to the public by the city as authorized by law or charter.

(3) "Special service district" means a defined area within the city in which special services are rendered and the costs of special services are paid from revenues collected from service charges imposed within the area as provided in this section.

Subd. 2. [RELATION TO MINNESOTA STATUTES, CHAPTER 428A.] *The creation of a special service district under this section must be in accordance with the provisions of Minnesota Statutes, chapter 428A.*

Subd. 3. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT; AREA.] *The governing body of the city may establish a special service district in the city. The district shall be bounded on the northwest by Interstate Highway 35, on the northeast by the centerline of Sixth Avenue West and as the same is extended to the United States Harbor Line in St. Louis Bay, on the southeast by said Harbor Line and on the southwest by the centerline of Ninth Avenue West and as the same is extended to said Harbor Line.*

Subd. 4. [SERVICE CHARGES; DETERMINATION OF AMOUNT.] *Service charges based on the net tax capacity of the property within the district shall be distributed in a manner determined by the city council to be a fair, equitable, and reasonable method of determination, taking into account the character and impact of the services to be provided on each parcel in the district; provided, it shall not be necessary to establish a relationship between any special service charges on a parcel of property and the value of special benefits conferred upon that property.*

Subd. 5. [DELEGATION TO ECONOMIC DEVELOPMENT AUTHORITY.] *After the creation of a special service district, the city council may, by resolution, delegate the operation of the district to an economic development authority created pursuant to Minnesota Statutes, sections 469.090 to 469.108.*

Sec. 48. [ST. PAUL; SPECIAL ASSESSMENTS.]

Subdivision 1. The city of St. Paul may by ordinance choose to exercise the powers provided by this section in place of those provided by Minnesota Statutes, section 429.101, subdivision 1, but in accordance with the provisions of Minnesota Statutes, section 429.101, subdivisions 2 and 3. In addition to any method authorized by law or charter, the city may provide for the collection of unpaid special charges for all or any part of the following costs:

(1) snow, ice, rubbish, or litter removal from public parking facilities;

(2) the operation, including maintenance and repair, of lighting systems for public parking facilities; or

(3) the operation, including maintenance and repair, of public parking facilities.

Subd. 2. The costs listed in subdivision 1 may be collected as a special assessment against the property benefited.

Subd. 3. The council may by ordinance adopt regulations consistent with this section to make this authority effective, including, at the option of the council, provisions for collection of actual or estimated charges from the property owner or other person served before the unpaid charges are made a special assessment.

Subd. 4. If estimated charges are collected and, based upon subsequent actual costs, found to be excessive or deficient, subsequent charges shall be reduced by the excess or increased by the deficiency.

Sec. 49. [FLOODWOOD AREA AMBULANCE DISTRICT.]

Subdivision 1. [AGREEMENT.] *The city of Floodwood and one or more of the towns of Floodwood, Van Buren, Halden, Cedar Valley, Ness, Arrowhead, Fine Lakes, and Prairie Lake, may by resolution of their city council and town boards establish the Floodwood area ambulance district. The town of Ness may provide that only a described part of its territory be included within the district. The St. Louis county board may by resolution provide that property located in unorganized territory 52-21 may be included within the district. The district shall make payments of the proceeds of the tax authorized in this section to the city of Floodwood, which shall provide ambulance services throughout the territory of the district and may exercise all the powers of the city and towns that relate to ambulance service anywhere within its territory.*

Any other contiguous town or home rule charter or statutory city may join the district with the agreement of the cities and towns that comprise the district at the time of its application to join. Action to join the district may be taken by the city council or town board of the city or town.

Subd. 2. [BOARD.] *The district shall be governed by a board composed of one member appointed by the city council or town board of each city and town in the district. A district board member may, but is not required to, be a member of a city council or town board. Except as provided in this section, members shall serve two-year terms ending the first Monday in January and until their successors are appointed and qualified. Of the members first appointed, as far as possible, the terms of one-half shall expire on the first Monday in January in the first year following their appointment and one-half the first Monday in January in the second year. The terms of those initially appointed shall be determined by lot. If an additional member is added because an additional city or town joins the district, the member's term shall be fixed so that, as far as possible, the terms of one-half of all the members expire on the same date.*

Subd. 3. [TAX.] *The district may impose a property tax on real and personal property in the district in an amount sufficient to discharge its operating expenses and debt payable in each year, but not to exceed $25,000 each year. The St. Louis county auditor and treasurer shall collect the tax and pay it to the Floodwood area ambulance district.*

Subd. 4. [PUBLIC INDEBTEDNESS.] *The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish a duty charged to it.*

Subd. 5. [WITHDRAWAL.] *Upon two years' notice, a city or town may withdraw from the district. Its territory shall remain subject to taxation for debt incurred prior to its withdrawal pursuant to Minnesota Statutes, chapter 475.*

Sec. 50. [PROPERTY ACQUIRED FROM ELECTRIC COOPERATIVE.]

Subdivision 1. [PROPERTY EXEMPTION.] *Property owned by a cooperative association, as defined in Minnesota Statutes, section 273.40, that is purchased by a public utility, as defined in Minnesota Statutes, section 216B.02, remains exempt from property taxes, if the property:*

(1) was exempt under Minnesota Statutes, section 272.02, subdivision 1, clause (18), or section 273.41 when it was owned by the cooperative association; and

(2) is located in St. Louis, Koochiching, Itasca, and Lake counties.

This exemption applies for three assessment years from the date of purchase. The tax under Minnesota Statutes, section 273.41, continues to apply during the three-year exemption period. The rates charged by the public utility must reflect the property tax exemption provided under this section.

Subd. 2. [LOCAL APPROVAL.] *Subdivision 1 is effective in St. Louis, Koochiching, Itasca, and Lake counties the day after the governing body of the county complies with Minnesota Statutes, section 645.021, subdivision 3.*

Sec. 51. [REPEALER.]

(a) Minnesota Statutes 1992, section 272.115, subdivision 1a, is repealed.

(b) Minnesota Statutes 1992, section 273.124, subdivision 16, is repealed.

Sec. 52. [EFFECTIVE DATE.]

Section 2 is effective for assessment year 1993 and thereafter.

Sections 7, 8, clause (26), 9, 13 to 18, 19, paragraph (c), 21 to 27, 34, and 51, paragraph (b), are effective for taxes levied in 1993, payable in 1994, and thereafter.

Section 8, clause (25), is effective for taxes levied in 1991, payable in 1992, and thereafter. Upon application to and approval by the county auditor, the county treasurer shall refund to the taxpayer any taxes paid for 1992 that are exempt under section 8, clause (25). The refund shall be paid without interest. Each taxing jurisdiction must reimburse the county for the refund in the same proportion as the taxing jurisdiction's levy bears to the total levies of all jurisdictions for taxes payable in 1992. The amount of the reimbursement may be deducted in the next distribution of tax proceeds to the taxing jurisdiction.

Sections 2, 10 to 12, 19, paragraph (a), 20, 33, 35, 46, and 51, paragraph (a), are effective the day following final enactment.

Section 28 is effective for aid payable in 1994.

Sections 30 and 32 are effective for hearings held in 1993 and thereafter.

Section 36 is effective for confessions of judgment entered into after June 30, 1993.

Section 38 is effective for applications for reductions or abatements filed the day after the day following final enactment, provided that for applications pending prior to the effective date of section 38, the county board is authorized to continue the county board's policy which is currently in effect on the granting of any reductions or abatements under Minnesota Statutes, section 375.192.

Section 39 is effective for assessments certified after July 1, 1993.

Sections 43 to 45 take effect the day after the governing body of the city of Minneapolis complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 47 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Duluth.

Section 48 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city council of the city of St. Paul.

Section 49 is effective in the city of Floodwood, and the towns of Floodwood, Van Buren, Halden, Cedar Valley, Ness, Arrowhead, Fine Lakes, and Prairie Lake the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each. Section 49 is effective for unorganized territory 52-21 the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the St. Louis county board.

ARTICLE 2

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1992, section 290A.03, subdivision 3, is amended to read:

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

(a) federal adjusted gross income as defined in the Internal Revenue Code; 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 (m) 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) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(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 or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a), 102, 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.

(3) The sum of the following amounts may be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 ~~prior to June 1~~ *on or before December 31* of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code of 1986, as amended through December 31, 1991, for the taxable year for which the income is reported.

Sec. 2. Minnesota Statutes 1992, section 290A.03, subdivision 7, is amended to read:

Subd. 7. [DEPENDENT.] "Dependent" means any person who is considered a dependent under sections 151 and 152 of the Internal Revenue Code of 1986, as amended through December 31, 1991. In the case of a son, stepson, daughter, or stepdaughter of the claimant, amounts received as an aid to families with dependent children grant ~~or~~, allowance to or on behalf of the child, *surplus food, or other relief in kind supplied by a governmental agency* must not be taken into account in determining whether the child received more than half of the child's support from the claimant.

Sec. 3. Minnesota Statutes 1992, section 290A.03, subdivision 8, is amended to read:

Subd. 8. [CLAIMANT.] (a) "Claimant" means a person, other than a dependent, *as defined under sections 151 and 152 of the Internal Revenue Code of 1986, as amended through December 31, 1992, disregarding section 152(b)(3) of the Internal Revenue Code,* who filed a claim authorized by this chapter and who was a resident of 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.54, 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, paragraphs (1) and (2), 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, paragraphs (1) and (2), 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 1992, section 290A.23, is amended to read:

290A.23 [APPROPRIATION.]

Subdivision 1. [RENTERS CREDIT ~~AND TARGETING~~.] There is appropriated from the general fund in the state treasury to the commissioner of revenue the amount necessary to make the payments required under section 290A.04, subdivisions 2a ~~and 2h~~.

Subd. 2. [HOMEOWNERS PROPERTY TAX REFUND *AND TARGETING*.] There is appropriated from the local government trust fund to the commissioner of revenue the amount necessary to make the payments required under section 290A.04, ~~subdivision~~ *subdivisions* 2 *and 2h*.

Sec. 5. [EFFECTIVE DATE.]

Section 1 is effective for refunds payable for rents paid in 1993 and property taxes payable in 1994, and thereafter.

Sections 2 and 3 are effective for refunds payable for rents paid in 1992 and property taxes payable in 1993, and thereafter.

ARTICLE 3

ASSESSORS ADMINISTRATIVE

Section 1. Minnesota Statutes 1992, 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 knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit; or

(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.

(d) Any assessor, deputy assessor, assistant assessor, appraiser or other person employed by an assessment jurisdiction, or contracting with an assessment jurisdiction, for the purpose of valuing or classifying property for property tax purposes shall be prohibited from making appraisals, analyses, accepting an appraisal assignment or preparing an appraisal report as defined in section 82B.02, subdivisions 2, 3, 4, and 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violations of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition shall not be construed so as to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes.

Sec. 2. Minnesota Statutes 1992, section 270B.12, is amended by adding a subdivision to read:

Subd. 9. [COUNTY ASSESSORS.] *If, as a result of an audit, the commissioner determines that a person is a Minnesota nonresident or part-year resident for income tax purposes, the commissioner may disclose the person's name, address, and social security number to the assessor of any political subdivision in the state, when there is reason to believe that the person may have claimed or received homestead property tax benefits for a corresponding assessment year in regard to property apparently located in the assessor's jurisdiction.*

Sec. 3. Minnesota Statutes 1992, 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, *except that any person who was originally appointed county assessor between May 26, 1989, and October 4, 1989, is not required to be a resident of this state for any appointments under this section.* 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, 1992, or within two years of the assessor's first appointment under this section, whichever is later.

Sec. 4. Minnesota Statutes 1992, section 273.11, subdivision 13, is amended to read:

Subd. 13. [VALUATION OF INCOME-PRODUCING PROPERTY.] Beginning with the 1995 assessment, only accredited assessors or senior accredited assessors *or other licensed assessors who have successfully completed at least two income-producing property appraisal courses* may value income-producing property for ad valorem tax purposes. "Income-producing property" as used in this subdivision means the taxable property in class 3a and 3b in section 273.13, subdivision 24; class 4a and 4c, except for seasonal recreational property not used for commercial purposes, and class 4d in section 273.13, subdivision 25; and class 5 in section 273.13, subdivision 31. *"Income-producing property appraisal course" as used in this subdivision means a course of study approximately 30 instructional hours, with a final comprehensive test. An assessor must successfully complete the final examination for each of the two required courses. The course must be approved by the board of assessors.*

Sec. 5. [EFFECTIVE DATE.]

Section 1 is effective July 1, 1993.

Sections 2 and 4 are effective the day following final enactment.

Section 3 is effective for any appointment beginning January 1, 1993, and thereafter.

ARTICLE 4

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1992, section 273.1399, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Qualifying captured net tax capacity" means the following amounts:

(1) the captured net tax capacity of a new or the expanded part of an existing economic development or soils condition tax increment financing district, other than a qualified manufacturing district, for which certification was requested after April 30, 1990;

(2) the captured net tax capacity of a qualified manufacturing district, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district:

Number of Years	Percentage
1	0
2	20
3	40
4	60
5	80
6 or more	100;

(3) the captured net tax capacity of a new or the expanded part of an existing tax increment financing district, other than *a housing district, a qualified redevelopment district, a qualified pollution district, or* an economic development or soils condition district, for which certification was requested after April 30, 1990, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district.

Number of years	Renewal and Renovation Districts	All other Districts
0 to 5	0	0
6	12.5	6.25
7	25	12.5
8	37.5	18.75
9	50	25
10	62.5	31.25
11	75	37.5
12	87.5	43.75
13	100	50
14	100	56.25
15	100	62.5
16	100	68.75
17	100	75
18	100	81.25
19	100	87.5
20	100	93.75
21 or more	100	100

In the case of a hazardous substance subdistrict, the number of years must be measured from the date of certification of the subdistrict for purposes of the additional captured net tax capacity resulting from the reduction in the subdistrict's or site's original net tax capacity.

(b) The terms defined in section 469.174 have the meanings given in that section.

(c) "~~Qualified~~ Manufacturing district" means:

(1) an economic development district that qualifies under section 469.176, subdivision 4c, paragraph (a), without regard to clauses (2) and (4), for which certification was requested after June 30, 1991, located in a home rule charter or statutory city that ~~(1)~~ *(i)* has a population under 10,000 according to the last federal census, and ~~(2)~~ *(ii)* is wholly located outside of a metropolitan statistical area as determined by the United States Office of Management and Budget; *or*

(2) a manufacturing district under section 469.174, subdivision 25.

(d) "Qualified redevelopment district" means a redevelopment district in which the percentage increase in the sum of the net tax capacities of the parcels in the redevelopment district during the five years before the year of certification of the district is less than, for the same time period, the percentage increase in the sum of the net tax capacities of the parcels in the school districts in which any parcels in the redevelopment district are located.

(e) "Qualified pollution district" means a pollution district in which:

(1) the percentage increase in the sum of the market value of the parcels in the pollution district during the five years before the year of certification of the district is the same as or less than, for the same time period, the percentage increase in the sum of the market value of the parcels in the school districts in which any parcels in the pollution district are located; or

(2) there has been no increase in the sum of the market value of the parcels in the pollution district during the five years before the year of certification of the district.

Sec. 2. Minnesota Statutes 1992, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of any products therefrom, shall be apportioned by the county auditor to the taxing districts interested therein, as follows:

(1) Such portion as may be required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of such parcel to the state, but not exceeding the amount certified by the clerk of the municipality, shall be apportioned to the municipal subdivision entitled thereto;

(2) Such portion as may be required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of such parcel to the state, but not exceeding the amount of expenses certified by the pollution control agency or the commissioner of agriculture, shall be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(3) Such portion of the remainder as may be required to discharge any special assessment chargeable against such parcel for drainage or other purpose whether due or deferred at the time of forfeiture, shall be apportioned to the municipal subdivision entitled thereto; and

(4) Any balance shall be apportioned as follows:

(a) Any county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It shall be expended only on projects approved by the commissioner of natural resources.

(b) Any county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and

maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

(c) If the board does not avail itself of the authority under paragraph (a) or (b) any balance remaining *from the sale or rental of a parcel that is not located in a tax increment financing district* shall be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, and if the board avails itself of the authority under paragraph (a) or (b) the balance remaining shall be apportioned among the county, town or city, and school district in the proportions in this paragraph above stated, provided, however, that in unorganized territory that portion which should have accrued to the township shall be administered by the county board of commissioners. *If the parcel is located in a tax increment financing district, the county auditor shall pay the balance to the district, and it will constitute tax increments.*

Sec. 3. Minnesota Statutes 1992, section 469.012, subdivision 1, is amended to read:

Subdivision 1. [SCHEDULE OF POWERS.] An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 469.001 to 469.047, except that the power to levy and collect taxes or special assessments is limited to the power provided in sections 469.027 to 469.033. Its powers include the following powers in addition to others granted in sections 469.001 to 469.047:

(1) to sue and be sued; to have a seal, which shall be judicially noticed, and to alter it; to have perpetual succession; and to make, amend, and repeal rules consistent with sections 469.001 to 469.047;

(2) to employ an executive director, technical experts, and officers, agents, and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal services it requires, to call upon the chief law officer of the city or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies in its area of operation, provided that those local public bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) within its area of operation, to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) subject to the provisions of section 469.026, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation, to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by chapter 117, to acquire real property which it may deem necessary for its purposes, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.003 or to provide decent, safe, and sanitary housing for persons

of low and moderate income, or is necessary to carry out a redevelopment project. Real property needed or convenient for a project may be acquired by the authority for the project by condemnation pursuant to this section. This includes any property devoted to a public use, whether or not held in trust, notwithstanding that the property may have been previously acquired by condemnation or is owned by a public utility corporation, because the public use in conformity with the provisions of sections 469.001 to 469.047 shall be deemed a superior public use. Property devoted to a public use may be so acquired only if the governing body of the municipality has approved its acquisition by the authority. An award of compensation shall not be increased by reason of any increase in the value of the real property caused by the assembly, clearance or reconstruction, or proposed assembly, clearance or reconstruction for the purposes of sections 469.001 to 469.047 of the real property in an area;

(7) within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) but without the adoption of a resolution provided for in clause (6), real property, and to demolish, remove, rehabilitate, or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill, and construct foundations or otherwise prepare the site for improvements. The authority may dispose of the property pursuant to section 469.029, provided that the provisions of section 469.029 requiring conformance to an urban renewal plan shall not apply. The authority may finance these activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 469.033 or by means of contributions from the municipality provided for in section 469.041, clause (9), or by any combination of those means. Real property with buildings or improvements thereon shall only be acquired under this clause when the buildings or improvements are substandard. The exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain and is currently vacant, buildings and improvements which are vacated and substandard. *Notwithstanding the prior sentence, in cities of the first class the exercise of the power of eminent domain under this clause shall be limited to real property which contains, or has contained within the three years immediately preceding the exercise of the power of eminent domain, buildings and improvements which are substandard.* For the purpose of this clause, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community;

(8) within its area of operation, to determine the level of income constituting low or moderate family income. The authority may establish various income levels for various family sizes. In making its determination, the authority may consider income levels that may be established by the Department of Housing and Urban Development or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use that determination as a basis for the maximum amount of income for admissions to housing development projects or housing projects owned or operated by it;

(9) to provide in federally assisted projects any relocation payments and assistance necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto;

(10) to make an agreement with the governing body or bodies creating the authority which provides exemption from all real and personal property taxes levied or imposed by the state, city, county, or other political subdivisions, for which the authority shall make payments in lieu of taxes to the state, city, county, or other political subdivisions as provided in section 469.040. The governing body shall agree on behalf of all the applicable governing bodies affected that local cooperation as required by the federal government shall be provided by the local governing body or bodies in whose jurisdiction the project is to be located, at no cost or at no greater cost than the same public services and facilities furnished to other residents;

(11) to cooperate with or act as agent for the federal government, the state or any state public body, or any agency or instrumentality of the foregoing, in carrying out any of the provisions of sections 469.001 to 469.047 or of any other related federal, state, or local legislation; and upon the consent of the governing body of the city to purchase, lease, manage, or otherwise take over any housing project already owned and operated by the federal government;

(12) to make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements, and plans for the enforcement of laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements, and to the compulsory repair, rehabilitation, demolition, or removal of buildings and improvements. The authority may develop, test, and report methods and techniques, and carry out demonstrations and other activities for the prevention and elimination of slums and blight;

(13) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal government, the state government, state public bodies, or from any other public or private sources;

(14) to include in any contract for financial assistance with the federal government any conditions that the federal government may attach to its financial aid of a project, not inconsistent with purposes of sections 469.001 to 469.047, including obligating itself (which obligation shall be specifically enforceable and not constitute a mortgage, notwithstanding any other laws) to convey to the federal government the project to which the contract relates upon the occurrence of a substantial default with respect to the covenants or conditions to which the authority is subject; to provide in the contract that, in case of such conveyance, the federal government may complete, operate, manage, lease, convey, or otherwise deal with the project until the defaults are cured if the federal government agrees in the contract to reconvey to the authority the project as then constituted when the defaults have been cured;

(15) to issue bonds for any of its corporate purposes and to secure the bonds by mortgages upon property held or to be held by it or by pledge of its revenues, including grants or contributions;

(16) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control or in the

manner and subject to the conditions provided in section 475.66 for the deposit and investment of debt service funds;

(17) within its area of operation, to determine where blight exists or where there is unsafe, unsanitary, or overcrowded housing;

(18) to carry out studies of the housing and redevelopment needs within its area of operation and of the meeting of those needs. This includes study of data on population and family groups and their distribution according to income groups, the amount and quality of available housing and its distribution according to rentals and sales prices, employment, wages, desirable patterns for land use and community growth, and other factors affecting the local housing and redevelopment needs and the meeting of those needs; to make the results of those studies and analyses available to the public and to building, housing, and supply industries;

(19) if a local public body does not have a planning agency or the planning agency has not produced a comprehensive or general community development plan, to make or cause to be made a plan to be used as a guide in the more detailed planning of housing and redevelopment areas;

(20) to lease or rent any dwellings, accommodations, lands, buildings, structures, or facilities included in any project and, subject to the limitations contained in sections 469.001 to 469.047 with respect to the rental of dwellings in housing projects, to establish and revise the rents or charges therefor;

(21) to own, hold, and improve real or personal property and to sell, lease, exchange, transfer, assign, pledge, or dispose of any real or personal property or any interest therein;

(22) to insure or provide for the insurance of any real or personal property or operations of the authority against any risks or hazards;

(23) to procure or agree to the procurement of government insurance or guarantees of the payment of any bonds or parts thereof issued by an authority and to pay premiums on the insurance;

(24) to make expenditures necessary to carry out the purposes of sections 469.001 to 469.047;

(25) to enter into an agreement or agreements with any state public body to provide informational service and relocation assistance to families, individuals, business concerns, and nonprofit organizations displaced or to be displaced by the activities of any state public body;

(26) to compile and maintain a catalog of all vacant, open and undeveloped land, or land which contains substandard buildings and improvements as that term is defined in clause (7), that is owned or controlled by the authority or by the governing body within its area of operation and to compile and maintain a catalog of all authority owned real property that is in excess of the foreseeable needs of the authority, in order to determine and recommend if the real property compiled in either catalog is appropriate for disposal pursuant to the provisions of section 469.029, subdivisions 9 and 10;

(27) to recommend to the city concerning the enforcement of the applicable health, housing, building, fire prevention, and housing maintenance code requirements as they relate to residential dwelling structures that are being rehabilitated by low- or moderate-income persons pursuant to section

469.029, subdivision 9, for the period of time necessary to complete the rehabilitation, as determined by the authority;

(28) to recommend to the city the initiation of municipal powers, against certain real properties, relating to repair, closing, condemnation, or demolition of unsafe, unsanitary, hazardous, and unfit buildings, as provided in section 469.041, clause (5);

(29) to sell, at private or public sale, at the price or prices determined by the authority, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual;

(30) within its area of operation, to acquire and sell real property that is benefited by federal housing assistance payments, other rental subsidies, interest reduction payments, or interest reduction contracts for the purpose of preserving the affordability of low- and moderate-income multifamily housing;

(31) to apply for, enter into contracts with the federal government, administer, and carry out a section 8 program. Authorization by the governing body creating the authority to administer the program at the authority's initial application is sufficient to authorize operation of the program in its area of operation for which it was created without additional local governing body approval. Approval by the governing body or bodies creating the authority constitutes approval of a housing program for purposes of any special or general law requiring local approval of section 8 programs undertaken by city, county, or multicounty authorities; and

(32) to secure a mortgage or loan for a rental housing project by obtaining the appointment of receivers or assignments of rents and profits under sections 559.17 and 576.01, except that the limitation relating to the minimum amounts of the original principal balances of mortgages specified in sections 559.17, subdivision 2, clause (2); and 576.01, subdivision 2, does not apply.

Sec. 4. Minnesota Statutes 1992, section 469.174, subdivision 9, is amended to read:

Subd. 9. [TAX INCREMENT FINANCING DISTRICT.] "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, mined underground space development, housing ~~or~~ , economic development, *manufacturing, or the remediation of contamination* in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

Sec. 5. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 22. [POLLUTION DISTRICT.] *"Pollution district" means a type of tax increment financing district:*

(1) that meets the requirements of an economic development district, housing district, mined underground space development district, redevelopment district, renewal and renovation district, or soils condition district;

(2) that consists of a project, or portions of a project, within which the authority finds it to be in the public interest to provide for the remediation of contamination; and

(3) in which the estimated costs of remediating present contamination or preventing future contamination of the land within the eligible site equal or exceed: (i) the fair market value of the improved property included in the district unless the improvements will be demolished prior to development, or (ii) $2 per square foot of the area of the pollution district.

Sec. 6. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 23. [REMEDIATION.] *"Remediation" means any activity constituting "removal," "remedy," or "remedial action," as those terms are defined in section 115B.02; environmental audits; pollution tests; preparation and implementation of response action plans; the establishment and maintenance of a guaranty or indemnification fund under section 469.1764; acquisition and demolition necessary to accomplish remediation; and administrative, legal, and professional activities reasonably related to the prevention, containment, or cleanup of contamination.*

Sec. 7. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 24. [CONTAMINATION.] *"Contamination" means the presence of:*

(1) a substance defined as a "hazardous substance" or "toxic substance" in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, United States Code, title 42, section 9061, et seq.;

(2) a substance defined as a "hazardous substance," "hazardous waste," or "pollutant or contaminant" in section 115B.02; or

(3) petroleum or its derivatives.

Sec. 8. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 25. [MANUFACTURING DISTRICT.] *"Manufacturing district" means a type of tax increment financing district that:*

(1) meets the requirements of an economic development district; and

(2) consists of a project, or portions of a project, within which the authority finds it to be in the public interest to provide for the development of manufacturing facilities or tourism facilities. The finding must be made in a resolution adopted by the authority on or before the date of approval of the plan for the district.

Sec. 9. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 26. [MANUFACTURING FACILITY.] *"Manufacturing facility" means property that is acquired, constructed, or rehabilitated, if at least 85 percent of the property is used:*

(1) for the manufacturing or production of tangible personal property,

including processing resulting in the change in condition of the tangible personal property;

(2) for the warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) for research and development activities related to the activities listed in clause (1) or (2); or

(4) space necessary for and related to the activities listed in clause (1), (2), or (3).

Sec. 10. Minnesota Statutes 1992, section 469.174, is amended by adding a subdivision to read:

Subd. 27. [TOURISM FACILITY.] *"Tourism facility" means property that:*

(1) is located in a county where the median income is no more than 85 percent of the state median income;

(2) is located in a county in which, excluding the cities of the first class in that county, the earnings on tourism-related activities are 15 percent or more of the total earnings in the county;

(3) is located outside the metropolitan area defined in section 473.121, subdivision 2;

(4) is not located in a city with a population in excess of 20,000; and

(5) is acquired, constructed, or rehabilitated for use as a convention and meeting facility, amusement park, recreation facility, cultural facility, marina, park, hotel, motel, lodging facility or nonhomestead dwelling unit that in each case is intended to serve primarily individuals from outside the county.

Sec. 11. Minnesota Statutes 1992, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] *(a)* 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 net tax capacity of taxable real property within the tax increment financing district;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities 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 net tax capacity 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 net tax capacity 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.

(b) The authority may elect in the tax increment financing plan to provide for the identification of a minimum market value in the plan, development agreement, or assessment agreement, and provide that increment is first received by the authority when (1) the market value of the improvements as determined by the assessor reaches or exceeds that minimum market value, or (2) four years has elapsed from the date of certification of the original net tax capacity of the taxable real property in the district by the county auditor, whichever is earlier.

(c) With respect to a pollution district, the authority shall elect in the tax increment financing plan to impose the provisions of sections 469.174 to 469.179, applicable to an economic development district, housing district, mined underground space development district, redevelopment district, renewal and renovation district, or soils condition district, to the pollution district. The authority must make the election in the plan and, once made, the election is irrevocable. Thereafter, the provisions of sections 469.174 to 469.179 applicable to the district elected shall be applicable to the pollution district.

Sec. 12. Minnesota Statutes 1992, section 469.175, is amended by adding a subdivision to read:

Subd. 2a. [HOUSING DISTRICTS; REDEVELOPMENT DISTRICTS.] *In the case of a proposed housing district or redevelopment district, in addition to the requirements of subdivision 2, at least 30 days before the publication of the notice for public hearing under subdivision 3, the authority shall deliver written notice of the proposed district to any county commissioner who represents any part of the area proposed to be included in the district. The notice must contain a general description of the boundaries of the proposed district and the proposed activities to be financed by the district, an offer by the authority to meet and discuss the proposed district with the county commissioner, and a solicitation of the county commissioner's comments with respect to the district.*

Sec. 13. Minnesota Statutes 1992, section 469.175, is amended by adding a subdivision to read:

Subd. 2b. [MANUFACTURING DISTRICTS.] *In the case of a manufacturing district, in addition to the requirements of subdivision 2, at least 30 days before the publication of the notice for public hearing under subdivision 3, the authority shall deliver written notice of the proposed manufacturing district to the county board of the county in which the area proposed to be included in the manufacturing district is located. The notice must contain a general description of the boundaries of the proposed manufacturing district and the proposed activities to be financed by the manufacturing district, an offer by the authority to meet and discuss the proposed district with the county board, and a solicitation of the county board's comments with respect to the manufacturing district.*

Sec. 14. Minnesota Statutes 1992, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original net tax capacity 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. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The 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 renewal or renovation district, a mined underground space development district, a housing district, a soils condition district, *a manufacturing district,* or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation 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) and (2), or subdivision 10a, must 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.

(6) in the case of a manufacturing district, that the use of tax increment financing is necessary either to retain a business that will expand within the municipality which would otherwise leave the state, or to induce a business to relocate to the municipality from another state.

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. 15. Minnesota Statutes 1992, 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 (g), 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. The municipality may, at the time of approval of the initial tax increment financing plan, provide for a shorter maximum duration limit than specified in paragraphs (b) to (g). The specified limit applies in place of the otherwise applicable limit.

(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 net tax capacity of the taxable real property in the district by the county auditor, unless within the three-year period (1) bonds have been issued in aid of the project containing the district pursuant to section 469.178, or any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, 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) No tax increment shall in any event be paid to the authority

(1) after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district, ~~redevelopment district, or housing district~~,

(2) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(3) after 12 years from approval of the tax increment financing plan for a soils condition district *or a manufacturing district*, ~~and~~

(4) 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,

(5) for a housing district or a redevelopment district, after 20 years from date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from date of receipt by the authority of the first increment, and

(6) except as provided in paragraph (f), after 25 years from the date of receipt by the authority of the first tax increment for a pollution district.

(f) No tax increment derived from a pollution district, except tax increment attributable to the reduction in original net tax capacity pursuant to an election under section 469.177, subdivision 1, paragraph (i), shall be paid to the authority, unless such tax increment will be used for the remediation of contamination: (1) after 25 years from the date of receipt by the authority of the first tax increment from a pollution district that the authority has elected to be subject to the provisions applicable to a mined underground space development district, redevelopment district, or housing district, (2) after 15 years from the date of receipt by the authority of the first tax increment from a pollution district that the authority has elected to be subject to the provisions applicable to a renewal and renovation district, (3) after 12 years from the date of approval of the tax increment financing plan for a pollution district that the authority has elected to be subject to the provisions applicable to a soils condition district, and (4) after eight years from the date of receipt by the authority of the first tax increment, or ten years from the date of approval of the tax increment financing plan, whichever is less, for a pollution district that the authority has elected to be subject to the provisions applicable to an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after April 1, 2001, or the term of a nondefeased 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. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or defease (i) bonds issued before April 1, 1990, or (ii) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded.

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

(g) 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 begins 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 is 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.

(h) If a parcel located in the district has delinquent property taxes when the district terminates under the duration limits under this subdivision, the payment of the parcel's delinquent taxes made after decertification of the district are tax increments to the extent the nonpayment of property taxes caused the outstanding bonds or contractual obligations pledged to be paid by the district to be paid by sources other than tax increments or to go unpaid. The county auditor shall pay the appropriate amount to the district. The authority shall provide the county auditor with information regarding the payment of outstanding bonds or contractual obligations and any other information necessary to administer the payment, as requested by the county auditor.

Sec. 16. Minnesota Statutes 1992, section 469.176, subdivision 4, is amended to read:

Subd. 4. [LIMITATION ON USE OF TAX INCREMENT; GENERAL RULE.] 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 authority to finance or otherwise pay the costs of the remediation of contamination in a project in which a pollution district is located,* 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.

Sec. 17. Minnesota Statutes 1992, section 469.176, subdivision 4f, is amended to read:

Subd. 4f. [INTEREST REDUCTION.] 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~~ *15* 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.

Sec. 18. Minnesota Statutes 1992, section 469.176, subdivision 4g, is amended to read:

Subd. 4g. [GENERAL GOVERNMENT USE PROHIBITED.] 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, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of 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.

(b) If any publicly owned facility used for social, recreational, or conference purposes and financed in whole or in part from revenues derived from a district is operated or managed by an entity other than the authority, the operating and management policies of such facility must be approved by the governing body of the authority.

Sec. 19. Minnesota Statutes 1992, section 469.176, is amended by adding a subdivision to read:

Subd. 4k. [POLLUTION DISTRICTS.] *The portion of the tax increment derived from a pollution district that is attributable to the reduction in original net tax capacity pursuant to an election under section 469.177, subdivision 1, paragraph (i), shall only be used to pay or reimburse the costs of the remediation of contamination in the project in which the pollution district is located. The remaining tax increment received from a pollution district may be used in accordance with subdivision 4, but subject to the restrictions imposed by sections 469.174 to 469.179 applicable to the type of district elected by the authority pursuant to section 469.175, subdivision 1, paragraph (c).*

Sec. 20. Minnesota Statutes 1992, section 469.1763, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing district, an amount equal to at least 75 percent of the revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. Not more than 25 percent of the revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, *revenue expended in* a housing project, as defined in section 469.174, subdivision 11, *or in another housing district,* is an activity in the district.

(c) All administrative expenses are for activities outside of the district.

Sec. 21. Minnesota Statutes 1992, section 469.1763, is amended by adding a subdivision to read:

Subd. 6. [POLLUTION DISTRICTS.] *Subdivisions 2 to 4 do not apply to a pollution district if:*

(1) the district is located within a project that meets the criteria of a targeted neighborhood under sections 469.201, subdivision 10; and 469.202, subdivisions 1 and 2, provided that the project does not exceed 50 acres and does not include additional area under section 469.202, subdivision 3;

(2) the authority has elected, under section 469.175, subdivision 1, paragraph (c), to impose the provisions of sections 469.174 to 469.179 applicable to a redevelopment district to the pollution district; or

(3) the authority has elected, under section 469.175, subdivision 1, paragraph (c), to impose the provisions of sections 469.174 to 469.179 applicable to a renewal and renovation district to the pollution district.

This subdivision applies only to the extent of authorizing expenditures for the purpose of remediation in another pollution district.

Sec. 22. [469.1764] [GUARANTY OR INDEMNIFICATION FUND.]

An authority may establish and maintain a guaranty or indemnification fund with respect to any contaminated parcel, or more than one such parcel, included within a pollution district. Funds held in the guaranty or indemnification fund must be available, upon terms and conditions determined by the authority through agreement or resolution, to an eligible person to indemnify and hold harmless the eligible person from liability for remediation costs arising under any state or federal environmental law, regulation, ruling, order, or decision with respect to the contaminated parcel or parcels by reason of the person's use, occupancy, ownership, or financing associated with the contaminated parcel. The authority may not indemnify or hold harmless an eligible person from liability for contamination of a parcel caused by the eligible person. Tax increments derived from a pollution district and any other funds available to the authority may be deposited in or

otherwise used to secure payments from the guaranty or indemnification fund. The authority is liable under the guaranty or indemnification only to the extent of funds available to secure payments from the guaranty or indemnification fund. The maximum amount payable from the guaranty or indemnification fund with respect to any eligible parcel or group of parcels must not exceed 50 percent of the cost of remediation of the contamination present in the contaminated parcels at the time of final approval of the plan, which amount may be inflated each year according to an appropriate inflation index selected by the authority. The guaranty or indemnification fund must be held or maintained in or with a financial institution or corporate fiduciary eligible for the deposit of public money or eligible to act as a trustee or fiduciary for bonds or other obligations issued under chapter 475. The guaranty or indemnification fund must be held and maintained for the period agreed to by the authority, except that tax increments may be deposited in the fund only during the duration of the district. Upon termination of the period of guaranty or indemnification all unexpended money then held in the guaranty or indemnification fund must be considered excess tax increments and returned to the county auditor for redistribution. Investment earnings, net of investment losses, on money held in the guaranty or indemnification fund may, at the option of the authority, be retained in the fund or disbursed to the authority and applied to other eligible costs. Tax increments used or pledged to secure payments from the guaranty or indemnification fund may be irrevocably pledged for that purpose, and neither filing nor possession is required to perfect the security interest created by the pledge.

Sec. 23. Minnesota Statutes 1992, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) 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 net tax capacity 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 net tax capacity 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.

(b) In the case of a mined underground space development district the county auditor shall certify the original net tax capacity as zero, plus the net tax capacity, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04.

(c) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 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 net tax capacity of that property must 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.

(d) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity 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 net tax capacity assessed by the assessor at the time of the transfer. If

substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity 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.

(e) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity 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, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

(f) Each year the auditor shall also add to the original net tax capacity of each economic development district an amount equal to the original net tax capacity for the preceding year multiplied by the average percentage increase in the market value of all property included in the economic development district during the five years prior to certification of the district.

(g) The amount to be subtracted from the original net tax capacity 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 net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity 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 net tax capacity 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 net tax capacity 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.

(h) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

(i) The original net tax capacity of a pollution district may be reduced by an amount up to 100 percent of the original net tax capacity of the pollution district at the election of the authority. The election must be made in writing

and delivered to the county auditor of the county in which the pollution district is located. The change in original net tax capacity is effective as of the July 1 subsequent to the date of receipt of the election by the county auditor. The tax increment attributable to this reduction in original net tax capacity must be used only in accordance with section 469.176, subdivision 4k. At any time after an election has been made to reduce the original net tax capacity of a pollution district pursuant to this subdivision, the authority may elect to forego the election. If the authority elects to forego the election, the original net tax capacity shall be changed to the original net tax capacity that would have been applicable to the pollution district without the application of this paragraph. The subsequent election must be made in writing and delivered to the county auditor of the county in which the pollution district is located. The change in original net tax capacity is effective as of the July 1 subsequent to the date of receipt of the election by the county auditor.

Sec. 24. Minnesota Statutes 1992, section 469.1831, subdivision 4, is amended to read:

Subd. 4. [PROGRAM MONEY; DISTRIBUTION AND RESTRICTIONS.] (a) Neighborhood revitalization program money may only be expended in accordance with the program for a purpose listed in subdivision 3 or this subdivision. Program money may not be used in those project areas of the city where the city determines that private investment will be sufficient to provide for development and redevelopment of the project area without public sector assistance, except in cases where program money is being used to remove or rehabilitate structurally substandard or obsolete buildings. Revenues derived from tax increments may only be expended for the purposes otherwise permitted by law, except that notwithstanding any law to the contrary, the city must pay at least the following amount of program money, including revenues derived from tax increments: (1) 15 percent to the school district, (2) 7.5 percent to the county, and (3) 7.5 percent for social services. Payment must be made to the county and school district within 15 days after the city receives the distribution of increment revenues, provided that the payment for calendar year 1990 may be made at any time during the year. Payment to the county for social services delivery shall be paid only after approval of program and spending plans under paragraph (b). Payment to the school district for education programs and services shall be paid only after approval of program and spending plans under paragraph (b).

(b) The money distributed to the county in a calendar year must be deducted from the county's levy limit for the following calendar year. In calculating the county's levy limit base for later years, the amount deducted must be treated as a local government aid payment.

The city must notify the commissioner of education of the amount of the payment made to the school district for the year. The commissioner shall deduct from the school district's state education aid payments one-half of the amount received by the school district.

The program money paid to the school district must be expended for additional education programs and services in accordance with the program. The amounts expended by the school district may not replace existing services.

The money for social services must be paid to the county for the cost of the provision of social services under the plan, as approved by the policy board and the county board.

(c) The city must expend on housing programs and related purposes as provided by the program at least 75 percent of the program money, after deducting the payments to the school district and county.

(d) Notwithstanding any other provisions of law to the contrary, for a city of the first class qualifying under section 469.1781, paragraph (a), program money *and money described in Laws 1990, chapter 604, article 7, section 29, as amended,* may be expended anywhere within the city by the authority for a purpose permitted by this section for any political subdivision *without compliance with section 469.175, subdivision 4, and such money shall be deemed to be expended for a purpose that is a permitted project under section 469.176 and for a purpose that is permitted under section 469.176 for the district from which the increment was received.*

Sec. 25. [INVER GROVE HEIGHTS.]

Subdivision 1. [EXTENSION OF TAX INCREMENT FINANCING DISTRICT.] *Tax increment financing district number 3-2 established by the city of Inver Grove Heights on April 30, 1992, pursuant to Laws 1990, chapter 604, article 7, section 30, subdivision 2, shall continue in effect until the earlier of May 1, 2004, or when all costs provided for in the tax increment financing plan relating to the district have been paid. In no event shall the city receive more than eight full years of tax increment.*

Subd. 2. [GENERAL OBLIGATION BONDS.] *Upon execution of an agreement among the city of Inver Grove Heights, the state, acting through the department of transportation, and Dakota county, relating to the planning, design, construction, and reconstruction of state, county, and city highway, street, and bridge improvements to serve, among other areas, the area included in tax increment financing district number 3-2 of the city, the city council may by resolution authorize, sell, and issue general obligation bonds of the city in a principal amount not exceeding $3,000,000 to finance a portion of the cost of the improvements to be paid for by the state pursuant to the agreement. The bonds shall be issued only if and in the amount estimated to be necessary to provide money to pay the costs of the improvements for which state funds are not immediately available but are to be received by the city pursuant to the agreement. The state money shall be pledged to the payment of the bonds and when received shall be used to pay them as soon as practicable. The bonds shall be issued and secured under Minnesota Statutes, chapter 475, except that no election is required to authorize their issuance.*

Sec. 26. [CHANHASSEN.]

Subdivision 1. [EXTENSION OF TIF DISTRICT.] *The tax increment financing district established by the housing and redevelopment authority in and for the city of Chanhassen and approved by the city on December 19, 1977, within the downtown and Chanhassen lakes business park areas continues in effect until the earlier of (1) December 31, 2004, or (2) when all costs provided for in the tax increment financing plan relating to the district have been paid. All tax increments received after April 1, 2001, in excess of the amount needed to pay bonds issued before April 1, 1990, shall be used only to pay or reimburse capital costs of public road improvements pursuant to subdivision 2.*

Subd. 2. [BOND AUTHORIZATION.] *If Carver county and the cities of Chanhassen and Chaska agree to the planning, design, construction, and reconstruction of county and city highway and street improvements that serve,*

among other areas, the area of the tax increment financing district established on December 19, 1977, the city council may, by resolution, authorize, sell, and issue general obligation bonds of the city to finance part of the cost of the improvements to be paid for by the county under the agreement. The city shall issue the bonds only if and to the extent it estimates they are necessary to pay costs of the improvements coming due for which county funds are not immediately available but will be received by the city under the agreement. The city shall pledge the county moneys to the payment of the bonds and after it receives the moneys shall pay the bonds as soon as practicable. The bonds shall be issued and secured under Minnesota Statutes, chapter 475, except that no election is required to authorize their issuance.

Sec. 27. [CITY OF MANKATO; DURATION OF TAX INCREMENT FINANCING DISTRICT.]

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1, the duration of the key city redevelopment project tax increment financing district, district AA1, located within the city of Mankato, may be extended by the authority to August 1, 2009. Any increment received during the period of extended duration may only be utilized for payment of or to secure payment of debt service on bonds issued after April 1, 1993, and before January 1, 1994, or bonds issued to refund those bonds.

Sec. 28. [EFFECTIVE DATE.]

Section 1 is effective for aids payable in 1993 and thereafter. Sections 2 and 4 to 23 are effective for districts certified after May 31, 1993. Section 3 applies to sales or leases entered into after July 31, 1993. Section 24 is effective the day following final enactment.

ARTICLE 5

LOCAL GOVERNMENT EFFICIENCY AND COOPERATION

Section 1. [465.795] [DEFINITIONS.]

Subdivision 1. [AGENCY.] *"Agency" means a department, agency, board, or other instrumentality of state government that has jurisdiction over an administrative rule or law from which a waiver is sought under section 3. If no specific agency has jurisdiction over such a law, "agency" refers to the attorney general.*

Subd. 2. [BOARD.] *"Board" means the board of government innovation and cooperation established by section 2.*

Subd. 3. [COUNCIL.] *"Council" or "metropolitan council" means the metropolitan council established by section 473.123.*

Subd. 4. [LOCAL GOVERNMENT UNIT.] *"Local government unit" means a county, home rule charter or statutory city, school district, town, or special taxing district, except for purposes of sections 465.81 to 465.87.*

Subd. 5. [METROPOLITAN AGENCY.] *"Metropolitan agency" has the meaning given in section 473.121, subdivision 5a.*

Subd. 6. [METROPOLITAN AREA.] *"Metropolitan area" has the meaning given in section 473.121, subdivision 2.*

Subd. 7. [SCOPE.] *As used in sections 1 to 5 and sections 465.80 to 465.87, the terms defined in this section have the meanings given them.*

Sec. 2. [465.796] [BOARD OF GOVERNMENT INNOVATION AND COOPERATION.]

Subdivision 1. [MEMBERSHIP.] *The board of government innovation and cooperation consists of the majority leader and the minority leader of the senate or their designees, the majority leader and the minority leader of the house of representatives or their designees, one administrative law judge appointed by the chief administrative law judge, a nonlegislative member of the advisory commission on intergovernmental relations, the commissioner of finance, the commissioner of administration, the director of the legislative commission to review administrative rules, and the state auditor. The commissioners of finance and administration and the state auditor may each designate one staff member to serve in the commissioner's or auditor's place. The members of the senate and house of representatives and the director of the legislative commission to review administrative rules serve as nonvoting members.*

Subd. 2. [DUTIES OF BOARD.] *The board shall:*

(1) accept applications from local government units for waivers of administrative rules and temporary, limited exemptions from enforcement of procedural requirements in state law as provided in section 3, and determine whether to approve, modify, or reject the application;

(2) accept applications for grants to local government units and related organizations proposing to design models or plans for innovative service delivery and management as provided in section 4 and determine whether to approve, modify, or reject the application;

(3) accept applications from local government units for financial assistance to enable them to plan for cooperative efforts as provided in section 5, and determine whether to approve, modify, or reject the application;

(4) accept applications from eligible local government units for service-sharing grants as provided in section 465.80, and determine whether to approve, modify, or reject the application;

(5) accept applications from counties, cities, and towns proposing to combine under sections 465.81 to 465.87, and determine whether to approve or disapprove the application; and

(6) make recommendations to the legislature regarding the elimination of state mandates that inhibit local government efficiency, innovation, and cooperation.

The board may purchase services from the metropolitan council in reviewing requests for waivers and grant applications.

Subd. 3. [STAFF.] *The board may hire staff or consultants as necessary to perform its duties.*

Sec. 3. [465.797] [RULE AND LAW WAIVER REQUESTS.]

Subdivision 1. [GENERALLY.] *(a) Except as provided in paragraph (b), a local government unit may request the board of government innovation and cooperation to grant a waiver from one or more administrative rules or a*

temporary, limited exemption from enforcement of state procedural laws governing delivery of services by the local government unit. Two or more local government units may submit a joint application for a waiver or exemption under this section if they propose to cooperate in providing a service or program that is subject to the rule or law. Before submitting an application to the board, the governing body of the local government unit must approve the waiver or exemption request by resolution at a meeting required to be public under section 471.705.

(b) A school district that is granted a variance from rules of the state board of education under section 121.11, subdivision 12, need not apply to the board for a waiver of those rules under this section. A school district may not seek a waiver of rules under this section if the state board of education has authority to grant a variance to the rules under section 121.11, subdivision 12. This paragraph does not preclude a school district from being included in a cooperative effort with another local government unit under this section.

Subd. 2. [APPLICATION.] *A local government unit requesting a waiver of a rule or exemption from enforcement of a law under this section shall present a written application to the board. The application must include:*

(1) identification of the service or program at issue;

(2) identification of the administrative rule or the law imposing a procedural requirement with respect to which the waiver or exemption is sought;

(3) a description of the improved service outcome sought, including an explanation of the effect of the waiver or exemption in accomplishing that outcome;

(4) a description of the means by which the attainment of the outcome will be measured; and

(5) if the waiver or exemption is proposed by a single local government unit, a description of the consideration given to intergovernmental cooperation in providing this service, and an explanation of why the local government unit has elected to proceed independently.

A copy of the application must be provided by the requesting local government unit to the exclusive representative of its employees as certified under section 179A.12.

Subd. 3. [REVIEW PROCESS.] *Upon receipt of an application from a local government unit, the board shall review the application. The board shall dismiss or request modification of an application within 60 days of its receipt if it finds that (1) the application does not meet the requirements of subdivision 2, or (2) the application should not be granted because it clearly proposes a waiver of rules or exemption from enforcement of laws that would result in due process violations, violations of federal law or the state or federal constitution, or the loss of services to people who are entitled to them. If the application is submitted by a local government unit in the metropolitan area or the unit requests a waiver of a rule or temporary, limited exemptions from enforcement of a procedural law over which the metropolitan council or a metropolitan agency has jurisdiction, the board shall also transmit a copy of the application to the council for review and comment. The council shall report its comments to the board within 60 days of the date the application was transmitted to the council. The council may point out any resources or*

technical assistance it may be able to provide a local government submitting a request under this section. If it does not dismiss the application, the board shall transmit a copy of it to the commissioner of each agency having jurisdiction over a rule or law from which a waiver or exemption is sought. The agency may mail a notice that it has received an application for a waiver or exemption to all persons who have registered with the agency under section 14.14, subdivision 1a, identifying the rule or law from which a waiver or exemption is requested. If no agency has jurisdiction over the rule or law, the board shall transmit a copy of the application to the attorney general. If the commissioner of finance, the commissioner of administration, or the state auditor has jurisdiction over the rule or law, the chief administrative law judge shall appoint a second administrative law judge to serve as a member of the board in the place of that official for purposes of determining whether to grant the waiver or exemption. The agency shall inform the board of its agreement with or objection to and grounds for objection to the waiver or exemption request within 60 days of the date when the application was transmitted to it. Interested persons may submit written comments to the board on the waiver or exemption request within 60 days of the board's receipt of the application. If the agency fails to inform the board of its conclusion with respect to the application within 60 days of its receipt, the agency is deemed to have agreed to the waiver or exemption. If the exclusive representative of the employees of the requesting local government unit objects to the waiver or exemption request it may inform the board of the objection to and the grounds for the objection to the waiver or exemption request within 60 days of the receipt of the application.

Subd. 4. [HEARING.] *If the agency or the exclusive representative does not agree with the waiver or exemption request, the board shall set a date for a hearing on the application, which may be no earlier than 90 days after the date when the application was transmitted to the agency. The hearing must be conducted informally at a meeting of the board. Persons representing the local government unit shall present their case for the waiver or exemption, and persons representing the agency shall explain the agency's objection to it. Members of the board may request additional information from either party. The board may also request, either before or at the hearing, information or comments from representatives of business, labor, local governments, state agencies, consultants, and members of the public. If necessary, the hearing may be continued at a subsequent board meeting. A waiver or exemption must be granted by a vote of a majority of the board members. The board may modify the terms of the waiver or exemption request in arriving at the agreement required under subdivision 5.*

Subd. 5. [CONDITIONS OF AGREEMENTS.] *If the board grants a request for a waiver or exemption, the board and the local government unit shall enter into an agreement providing for the delivery of the service or program that is the subject of the application. The agreement must specify desired outcomes and the means of measurement by which the board will determine whether the outcomes specified in the agreement have been met. The agreement must specify the duration of the waiver or exemption, which may be for no less than two years and no more than four years, subject to renewal if both parties agree. A waiver of a rule under this section has the effect of a variance granted by an agency under section 14.05, subdivision 4. A local unit of government that is granted an exemption from enforcement of a procedural requirement in state law under this section is exempt from that law for the duration of the exemption. The board may require periodic reports*

from the local government unit, or conduct investigations of the service or program.

Subd. 6. [ENFORCEMENT.] *If the board finds that the local government unit is failing to comply with the terms of the agreement under subdivision 5, it may rescind the agreement. Upon the recision, the local unit of government becomes subject to the rules and laws covered by the agreement.*

Subd. 7. [ACCESS TO DATA.] *If a local government unit, through a cooperative program under this section, gains access to data collected, created, received, or maintained by another local government that is classified as not public, the unit gaining access is governed by the same restrictions on access to and use of the data as the unit that collected, created, received, or maintained the data.*

Sec. 4. [465.798] [SERVICE BUDGET MANAGEMENT MODEL GRANTS.]

One or more local units of governments, an association of local governments, the metropolitan council, or an organization acting in conjunction with a local unit of government may apply to the board of government innovation and management for a grant to be used to develop models for innovative service budget management. Proposed models may provide options to local governments, neighborhood or community organizations, or individuals for managing budgets for service delivery. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the model was not completed or implemented according to the terms of the grant agreement, it may require the grantee to repay all or a portion of the grant.

Sec. 5. [465.799] [COOPERATION PLANNING GRANTS.]

Two or more local government units may apply to the board of government innovation and cooperation for a grant to be used to develop a plan for intergovernmental cooperation in providing services. The grant application must include the following information:

(1) the identity of the local government units proposing to enter into the planning process;

(2) a description of the services to be studied and the outcomes sought from the cooperative venture; and

(3) a description of the proposed planning process, including an estimate of its costs, identification of the individuals or entities who will participate in the planning process, and an explanation of the need for a grant to the extent that the cost cannot be paid out of the existing resources of the local government unit.

The plan may include model contracts or agreements to be used to implement the plan. A copy of the work product for which the grant was provided must be furnished to the board upon completion. If the board finds that the grantee has failed to implement the plan, it may require the grantee to repay all or a portion of the grant.

Sec. 6. Minnesota Statutes 1992, section 465.80, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] This section establishes a program for grants to ~~cities, counties, and towns~~ *local government units* to enable them to meet the start-up costs of providing shared services or functions.

Sec. 7. Minnesota Statutes 1992, section 465.80, subdivision 2, is amended to read:

Subd. 2. [ELIGIBILITY.] Any ~~home rule charter or statutory city, county, or town~~ *local government unit* that provides a plan for offering a governmental service under a joint powers agreement with another ~~city, county, or town~~ *local government unit*, or with an agency of state government, is eligible for a grant under this section, and is referred to in this section as an "eligible local government unit."

Sec. 8. Minnesota Statutes 1992, section 465.80, subdivision 4, is amended to read:

Subd. 4. [SUBMISSION OF PLAN TO ~~DEPARTMENT~~ *BOARD*.] The plan must be submitted to the ~~department of trade and economic development~~ *board of government innovation and cooperation. A copy of the plan must also be provided by the requesting local government units to the exclusive representatives of the employees as certified under section 179A.12*. The ~~commissioner of trade and economic development~~ *board* will approve a plan only if it contains the elements set forth in subdivision 3, with sufficient information to verify the assertions under clauses (2) and (3). The ~~commissioner~~ *board* may request modifications of a plan. If the ~~commissioner~~ *board* rejects a plan, written reasons for the rejection must be provided, and a governmental unit may modify the plan and resubmit it.

Sec. 9. Minnesota Statutes 1992, section 465.80, subdivision 5, is amended to read:

Subd. 5. [GRANTS.] The amount of each grant shall be equal to the additional start-up costs for which evidence is presented under subdivision 3, clause (3). Only one grant will be given to a local government unit for any function or service it proposes to combine with another government unit, but a unit may apply for separate grants for different services or functions it proposes to combine. If the amount of money available for making the grants is not sufficient to fully fund the grants to eligible local government units with approved plans, the ~~commissioner~~ *board* shall award grants on the basis of each qualified applicant's score under a scoring system to be devised by the ~~commissioner~~ *board* to measure the relative needs for the grants and the ratio of costs to benefits for each proposal.

Sec. 10. Minnesota Statutes 1992, section 465.81, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] As used in sections 465.81 to 465.87, the words defined in this subdivision have the meanings given them in this subdivision.

"Board" means the board of government innovation and cooperation.

"City" means home rule charter or statutory cities.

~~"Commissioner" means the commissioner of trade and economic development.~~

~~"Department" means the department of trade and economic development.~~

"Governing body" means, in the case of a county, the county board; in the case of a city, the city council; and, in the case of a town, the town board.

"Local government unit" or "unit" includes counties, cities, and towns.

Sec. 11. Minnesota Statutes 1992, section 465.82, subdivision 1, is amended to read:

Subdivision 1. [ADOPTION AND STATE AGENCY REVIEW.] Each governing body that proposes to combine under sections 465.81 to 465.87 must adopt by resolution a plan for cooperation and combination. The plan must address each item in this section. The plan must be specific for any item that will occur within three years and may be general or set forth alternative proposals for an item that will occur more than three years in the future. The plan must be submitted to the ~~department of trade and economic development~~ *board of government innovation and cooperation* for review and comment. *For a metropolitan area local government unit, the plan must also be submitted to the metropolitan council for review and comment. The council may point out any resources or technical assistance it may be able to provide a governing body submitting a plan under this subdivision.* Significant modifications and specific resolutions of items must be submitted to the ~~department~~ *board and council, if appropriate,* for review and comment. In the official newspaper of each local government unit proposed for combination, the governing body must publish at least a summary of the adopted plans, each significant modification and resolution of items, and the results of each ~~department~~ *board and council, if appropriate,* review and comment.

Sec. 12. Minnesota Statutes 1992, section 465.83, is amended to read:

465.83 [STATE AGENCY APPROVAL.]

Before scheduling a referendum on the question of combining local government units under section 465.84, the units shall submit the plan adopted under section 465.82 to the ~~commissioner~~ *board. Metropolitan area units shall also submit the plan to the metropolitan council for review and comment.* The ~~commissioner~~ *board* may require any information it deems necessary to evaluate the plan. The ~~commissioner~~ *board* shall disapprove the proposed combination if ~~the commissioner~~ *it* finds that the plan is not reasonably likely to enable the combined unit to provide services in a more efficient or less costly manner than the separate units would provide them, or if the plans or plan modification are incomplete. *If the combination of local government units is approved by the board under this section, the local units are not required to proceed under chapter 414 to accomplish the combination.*

Sec. 13. Minnesota Statutes 1992, section 465.87, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] A local government unit is eligible for aid under this section if the ~~commissioner~~ *board* has approved its plan to cooperate and combine under section 465.83.

Sec. 14. Minnesota Statutes 1992, section 465.87, is amended by adding a subdivision to read:

Subd. 1a. [ADDITIONAL ELIGIBILITY.] *A local government unit is eligible for aid under this section if it has combined with another unit of government in accordance with chapter 414 and a copy of the municipal*

board's order combining the two units of government is forwarded to the board.

Sec. 15. [APPROPRIATION.]

$2,000,000 is appropriated from the general fund to the board of government innovation and cooperation for the purpose of making grants under this article, including grants made under Minnesota Statutes, section 465.80, and aid paid under Minnesota Statutes, section 465.87.

ARTICLE 6

COMPREHENSIVE CHOICE HOUSING

Section 1. [16A.713] [AID PENALTIES FOR NONCOMPLIANCE WITH COMPREHENSIVE CHOICE HOUSING ALLOTMENT.]

For cities and towns which are within the metropolitan urban service area or which are freestanding growth centers, as defined by the metropolitan council established under chapter 473, only those which are certified to be in compliance with the comprehensive choice housing objectives under section 2, subdivision 3, clause (4), shall be eligible to receive aid payments, including, but not limited to, homestead and agricultural credit payments, from the local government trust fund in the calendar year following the year in which certification was made. Aid amounts for cities and towns deemed not to be in compliance with the comprehensive choice housing objectives under section 2, subdivision 3, clause (4), shall be distributed to the cities and towns in the metropolitan area certified by the metropolitan council to be in compliance, in proportion to each city's or town's share of local government aid and equalization aid under section 477A.013. For cities and towns which are partially within and partially without the area, this section shall apply to the proportion of the city's or town's aid equal to the population within the area divided by the total population of the city or town. For the purposes of this section, "population" means the population according to the most recent federal census, or according to the metropolitan council's most recent population estimates if the estimates have been issued subsequent to the most recent federal census.

Sec. 2. [473.202] [AFFORDABLE HOUSING.]

Subdivision 1. [POLICY; GOALS.] *In order to protect and enhance the social and economic health of the metropolitan region and each community in the region, it is the legislature's policy to encourage development of a full range of housing options in every community in the metropolitan area. The legislature's goals are to: provide citizens with housing choices; remove barriers to the development of a comprehensive range of housing; create incentives for each community to develop housing that will serve residents as their income and housing needs change; reduce traffic congestion in the metropolitan area by providing people opportunities to live near their work in housing that is affordable to them; allow people to live near where jobs are being created; allow people to remain in their community as their situations and needs change; and have each community implement the housing policy and goals of the region.*

Subd. 2. [DEFINITIONS.] *The definitions in this subdivision apply to this section.*

(a) "Affordable housing" means housing that requires households to expend no more than 30 percent of their household income on housing and housing related expenses.

(b) "Comprehensive choice housing" means single-family and multifamily housing that is affordable for households with incomes less than or equal to 30 percent, 50 percent, and 80 percent of median income.

(c) "Comprehensive choice housing allotment" means a city's or town's allocation of comprehensive choice housing distributed on a fair-share basis under subdivision 3.

(d) "Median income" means median household income, adjusted for family size, for the Minneapolis-St. Paul metropolitan statistical area as determined by the federal Department of Housing and Urban Development.

(e) "Substantial compliance" means that at least 75 percent of the cities and towns in a sector of the metropolitan area are certified as meeting the comprehensive choice requirements under subdivision 3, clause (4).

Subd. 3. **[COMPREHENSIVE CHOICE HOUSING ALLOTMENT; RULES.]** *Before July 1, 1994, the metropolitan council shall adopt rules for establishing comprehensive choice housing in the metropolitan urban service area and freestanding growth centers. The council shall contract with the office of administrative hearings to conduct public hearings to adopt rules under this subdivision. The council shall give notice at least 30 days before the hearing by publishing a notice in the State Register and mailing a notice to persons and groups who have requested notification. At the hearing, the public shall have an opportunity to give testimony and question council representatives and council staff. Rules adopted under this subdivision must:*

(1) analyze the metropolitan urban service area's and freestanding growth centers' present and prospective need for comprehensive choice housing, including the need for multifamily and single-family housing for individuals and households at 30 percent, 50 percent, and 80 percent of median income. Local, state, and federal agencies shall work cooperatively with the council to identify, collect, and augment relevant data and studies without duplicating other analytical efforts;

(2) allocate the metropolitan urban service area's and freestanding growth centers' comprehensive choice housing needs, on a fair-share basis, to cities and towns in the metropolitan urban service area and freestanding growth centers' area.

Using the most current and reliable information available, the council shall develop a formula for allocating the metropolitan area's comprehensive choice housing needs to cities and towns within the metropolitan urban service area and freestanding growth centers. The formula developed by the council shall include the following factors:

(i) distribution of housing units by value or rent and the proportion of those units affordable to households earning 30 percent, 50 percent, and 80 percent of median income considering housing tenure, type and availability;

(ii) income distribution of households considering the number of households with incomes that are 30 percent, 50 percent, and 80 percent of median income, and the proportion of those households paying more than 30 percent of their household income on housing and housing related expenses;

(iii) job base, considering those jobs that provide employment opportunities for lower-income households and the ratio of jobs to households;

(iv) future development potential considering vacant land, the council's forecasts of households and employment, and the annual deviation from the council's forecasts resulting from variation in overall housing construction in the metropolitan area;

(v) future redevelopment potential in cities and towns with adequate supplies of vacant land to meet their allocation needs, considering age and value of housing, and redevelopment plans of cities and towns; and

(vi) cities' and towns' current and past efforts to provide and sanction housing or housing assistance for low-income households;

(3) determine the extent to which each city or town has, in the past, accomplished its comprehensive choice housing allotment. For the purpose of determining substantial compliance with choice housing allotment, full credit shall be given for current and past efforts to provide affordable housing;

(4) describe actions that a city or town may take to:

(i) eliminate barriers to comprehensive choice housing including, but not limited to, the elimination of zoning requirements, development agreements, and local development practices that impose barriers to the development of comprehensive choice housing;

(ii) utilize available opportunities that will meet the objective of providing comprehensive choice housing development; and

(iii) maintain housing affordability;

(5) establish annual review procedures, requirements, and guidelines for council review and certification of city and town compliance with the fair-share housing allocation; and

(6) establish procedures through which the council shall adopt and execute a plan to facilitate, coordinate, and, subject to its authority under sections 473.194 to 473.201, cause the development of affordable comprehensive choice housing in all cities and towns where the supply of affordable housing is inadequate to meet the objectives under this section. Based on the factors in clause (2), the plan shall prioritize the proposed development of affordable comprehensive choice housing in inverse proportion to the percentage of available low- and moderate-income housing in each respective city or town.

Subd. 4. [PERIODIC REVIEW OF COMPREHENSIVE CHOICE HOUSING ALLOTMENT RULES.] *The council shall review and assess the comprehensive choice housing allotment rules at least every five years following their effective date. No major changes to rules for allocating comprehensive choice housing or evaluating compliance under subdivision 3, clause (4), shall be made until 90 days after a report to the legislature on proposed changes to the comprehensive choice housing allotment rules. The report must be submitted to the legislature in January.*

Subd. 5. [COMPREHENSIVE CHOICE HOUSING COUNSELING.] *The council may provide or contract for housing counseling services to promote comprehensive housing choice throughout the metropolitan area by providing services to poor persons living in areas of concentrated poverty by locating*

available housing, counseling people on the advantages and disadvantages of housing locations, and offering on-site visits to available housing.

Subd. 6. [REVIEW AND CERTIFICATION.] *(a) Beginning February 1, 1995, the council shall annually review and certify a city's or town's compliance with the objectives of comprehensive choice housing under subdivision 3, clause (4). A city or town shall be in compliance when it has taken all actions required by council rules adopted under the authority of subdivision 3, clause (4), or when it has achieved its comprehensive choice allotment under subdivision 3, clause (2).*

(b) Before January 1, 1996, and each subsequent year, the council shall certify to the department of revenue, the cities and towns that are in compliance with the comprehensive choice housing objectives under subdivision 3, clause (4). At the time of certification, the council shall send a written notice to each uncertified city and town describing: the nature of the noncompliance, the types of corrective actions necessary for the city or town to be certified, and the penalties for noncompliance under subdivision 7 and section 16A.713.

(c) The council shall establish appeal procedures for uncertified cities and towns to obtain a review of the council's determination under this subdivision.

Subd. 7. [COUNCIL PENALTIES FOR NONCOMPLIANCE WITH THE COMPREHENSIVE CHOICE HOUSING ALLOTMENT.] *After January 1, 1996, in addition to the penalties for noncompliance under section 16A.713, the council shall not:*

(1) approve, or favorably receive, any proposed project or plan for a sector in which the council finds substantial noncompliance with the comprehensive choice housing objectives that will grant any extensions to urban service area boundaries, except to address environmental contamination problems or in demonstrated cases of undue economic hardship for the property owner affected and in cases of undue economic hardships for no more than ten acres; or

(2) approve any element of a plan or proposed project that will grant any increased sewer service or access for a city or town that is not certified by the council under subdivision 6, except to address environmental contamination problems or in demonstrated cases of undue economic hardship for the property owner affected.

For purposes of this subdivision, the council shall define sector on a case-by-case basis to mean any contiguous area that includes the proposed sewer, or sewer extension project and is served by the sewer, or proposed project or extension.

Sec. 3. [STATE ADVISORY COUNCIL.]

Subdivision 1. [ESTABLISHMENT; PURPOSE.] *A state advisory council on metropolitan governance is established to provide a forum at the state level for education, discussion, identification of emerging regional needs and appropriate responses, and advice to the legislature on the present and future role of the metropolitan council, metropolitan agencies, and the local governmental units as defined in Minnesota Statutes, section 473.121. The creation of the advisory council shall not affect any otherwise existing reporting relationships of the council, metropolitan agencies, or the local governmental units to the legislature.*

Subd. 2. [AUTHORITY; DUTIES.] *(a) The advisory council shall review and comment to the legislature on the duties and responsibilities of the council, metropolitan agencies, and the local governmental units.*

(b) The advisory council may gather information, conduct research and analysis, and advise the legislature on matters related to the council's charge.

(c) The advisory council may conduct public hearings to inform the public and solicit opinion.

(d) The advisory council shall consult with local governmental units in making its recommendations.

Subd. 3. [MEMBERSHIP.] *The advisory council shall consist of 15 members who serve at the pleasure of the appointing authority as follows:*

(1) six legislators; three members of the senate appointed by the subcommittee on committees of the committee on rules and administration; and three members of the house of representatives appointed by the speaker; and

(2) nine public members who are residents of the metropolitan area; two appointed by the subcommittee on committees of the committee on rules and administration of the senate and two appointed by the speaker of the house of representatives; and five appointed by the governor.

Subd. 4. [CHAIRS.] *The legislative appointing authorities shall each designate a legislative appointee to serve as co-chair of the advisory council.*

Subd. 5. [ADMINISTRATION.] *Legislative staff, the metropolitan council, and metropolitan agencies shall provide administrative and staff assistance when requested by the advisory council.*

Sec. 4. [EXPENSES.]

The metropolitan council shall compensate the members of the advisory council. Public members are to be compensated in an amount provided by Minnesota Statutes, section 15.059, subdivision 3. Members of the legislature are to be paid per diem and expenses in an amount provided by Minnesota Statutes, section 3.099. The council shall adopt a budget of estimated expenses at its first meeting and provide a copy to the metropolitan council.

Sec. 5. [APPLICATION.]

Sections 1 to 4 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day following final enactment. Sections 3 and 4 are repealed June 30, 1994.

ARTICLE 7

CONTAMINATION TAX

Section 1. [270.91] [CONTAMINATION TAX.]

Subdivision 1. [IMPOSITION.] *A tax is annually imposed on the contamination value of taxable real property in this state.*

Subd. 2. [INITIAL TAX RATES.] *Unless the rates under subdivision 3 or 4 apply, the tax imposed under this section equals 90 percent of the class rate for the property under section 273.13, multiplied by the local tax rate, multiplied by the contamination value of the property.*

Subd. 3. [TAX RATES, NONRESPONSIBLE PARTY.] *If neither the owner nor the operator of the taxable real property, in the assessment year, is a responsible person under chapter 115B or a responsible party under chapter 18D for the presence of contaminants on the property, unless subdivision 4 applies, the tax imposed under this section shall equal 25 percent of the class rate for the property under section 273.13, multiplied by the local tax rate, multiplied by the contamination value of the property. A no-association determination or good neighbor no-action determination by the commissioner of the pollution control agency shall be dispositive that the owner or operator is not a responsible person under chapter 115B for purposes of this section. Upon the request of the property owner or a county assessor, the commissioner shall make such a determination within 45 days.*

Subd. 4. [TAX RATES AFTER PLAN APPROVAL.] *(a) The tax imposed under this subdivision applies for the first assessment year that begins after one of the following occurs:*

(1) a response plan for the property has been approved by the commissioner of the pollution control agency and work under the plan has begun; or

(2) the contaminants are asbestos and the property owner has in place an abatement plan for enclosure, removal, or encapsulation of the asbestos. To qualify under this clause, the property owner must either have entered into a binding contract with a licensed contractor for completion of the work or have obtained a license from the commissioner of health and begun the work. The abatement plan must provide for completion of the work within a reasonable time period, as determined by the assessors.

(b) To qualify under paragraph (a), the property owner must provide the assessor with a copy of: (1) the approved response plan, or (2) a copy of the asbestos abatement plan and contract for completion of the work or the owner's license to perform the work. The property owner also must file with the assessor an affidavit indicating when work under the response action plan or asbestos abatement plan began.

(c) The tax imposed under this subdivision equals 40 percent of the class rate for the property under section 273.13 multiplied by the local tax rate, multiplied by the contamination value of the property.

(d) If neither the owner nor operator of the taxable real property, in the assessment year, is a responsible person under chapter 115B or a responsible party under chapter 18D for the presence of contamination on the property the tax imposed under this subdivision shall equal ten percent of the class rate for the property under section 273.13, multiplied by the local tax rate, multiplied by the contamination value of the property.

Sec. 2. [270.92] [DEFINITIONS.]

Subdivision 1. [SCOPE OF APPLICATION.] *For purposes of sections 1 to 8, the following terms have the meanings given.*

Subd. 2. [ASSESSMENT YEAR.] *"Assessment year" means the assessment year for purposes of general ad valorem property taxes.*

Subd. 3. [CONTAMINANT.] *"Contaminant" means a harmful substance as defined in section 115B.25, subdivision 7a.*

Subd. 4. [CONTAMINATED MARKET VALUE.] *"Contaminated market value" is the amount determined under section 3.*

Subd. 5. [PRESENCE OF CONTAMINANTS.] *"Presence of contaminants on the property" includes the release or threatened release, as defined in section 115B.02, subdivision 15, of contaminants on the property.*

Subd. 6. [RESPONSE PLAN.] *"Response plan" means either a development action response plan, as defined in section 469.174, subdivision 17, or a response action plan under chapter 115B or a corrective action plan under chapter 18D.*

Sec. 3. [270.93] [TAX BASE; CONTAMINATION VALUE.]

The contamination value of a parcel of property is the amount of the market value reduction, if any, that is granted for general ad valorem property tax purposes for the assessment year because of the presence of contaminants. The contamination value for a property may be no greater than the cost of a reasonable response plan for the property. These reductions in market value include those granted by a court, by a board of review, by the assessor upon petition or request of a property owner, or by the assessor. Reductions granted by the assessor are included only if the assessor reduced the property's market value for the presence of contaminants using an appraisal method or methods that are specifically designed or intended to adjust for the valuation effects of the presence of contaminants. The contamination value for a parcel with a reduction in value of less than $10,000 is zero.

Sec. 4. [270.94] [EXEMPTION.]

The tax imposed by sections 1 to 8 does not apply to the contamination value of a parcel of property attributable to contaminants that were addressed by a response plan for the property, if the commissioner of the pollution control agency has certified that all the requirements of the plan have been satisfied. Upon the request of a county assessor or the property owner, the commissioner of the pollution control agency shall certify within 45 days whether the plan requirements have been satisfied. This exemption applies beginning for the first assessment year after the commissioner of the pollution control agency certifies that the response plan has been completed.

To qualify under this section, the property owner must provide the assessor with a copy of the certification by the commissioner of the pollution control agency of the completion of the response action plan.

Sec. 5. [270.95] [PAYMENT; ADMINISTRATION.]

The tax imposed under sections 1 to 8 is payable at the same time and manner as the regular ad valorem property tax. The tax is subject to the penalty, interest, lien, forfeiture, and any other rules for collection of the regular ad valorem property tax. If a reduction in market value that creates contamination value is granted after the ad valorem property tax has been paid, the contamination tax must be subtracted from the amount to be refunded to the property owner.

Sec. 6. [270.96] [DUTIES.]

Subdivision 1. [ASSESSORS.] *Each assessor shall notify the county auditor of the contamination value under section 1, subdivisions 2 and 3, for each parcel of property within the assessor's jurisdiction. The assessor shall provide notice of the contamination value to the property owner by the later of June 1 of the assessment year or 30 days after the reduction in market value is finally granted.*

Subd. 2. [AUDITOR.] *The county auditor shall prepare separate lists of the contamination values for all property located in the county that are taxed under section 1, subdivision 2, and under section 1, subdivision 3. The commissioner shall prescribe the form of the listing. The auditor shall include the amount of the local and state contamination taxes on the contamination value for the assessment year on the regular ad valorem property tax statement under section 276.04.*

Subd. 3. [TREASURER.] *The county treasurer shall pay the proceeds of the tax, less the amount retained by the county for the cost of administration under section 8, to the commissioner at the same times and in the same manner provided for the ad valorem property tax settlements.*

Subd. 4. [COURT ORDERED REDUCTIONS IN VALUE.] *If a court orders a reduction in market value for purposes of the ad valorem property tax because of the presence of contaminants on the property, the court shall include in its order an offset for payment of the state tax on contaminated value under section 1.*

Sec. 7. [270.97] [DEPOSIT OF REVENUES.]

The commissioner shall deposit all revenues derived from the tax, interest, and penalties received from the county in the contaminated site cleanup and development account in the general fund.

Sec. 8. [270.98] [LOCAL ADMINISTRATIVE COSTS.]

The county shall retain five percent of the total revenues derived from the tax, including interest and penalties, as compensation for administering the tax. The county board may reimburse municipalities for the services provided by assessors employed by the municipality in administering sections 1 to 12.

Sec. 9. [APPROPRIATION.]

The first $5,000,000 of tax proceeds collected annually from the state tax on contaminated value is appropriated to the pollution abatement development fund established by article 8, section 3. Any amounts collected in excess of $5,000,000 shall be paid by the commissioner to the county treasurers in the same proportion as the collections from each county of the state tax on contaminated value, and shall be paid by the county treasurers to the local units of government in the same manner as ad valorem property taxes.

Sec. 10. Minnesota Statutes 1992, section 273.11, is amended by adding a subdivision to read:

Subd. 15. [VALUATION OF CONTAMINATED PROPERTIES.] *(a) In determining the market value of property containing contaminants, the assessor shall reduce the market value of the property by the contamination value of the property. The contamination value is the amount of the market value reduction that results from the presence of the contaminants, but it may not exceed the cost of a reasonable response plan for the property.*

(b) For purposes of this subdivision, "contaminants" and "response plan" have the meanings given in section 2.

Sec. 11. Minnesota Statutes 1992, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must clearly state that each taxing authority, other than a town or special taxing district, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as defined under section 272.03, subdivision 8, for property taxes payable in the following year and for taxes payable the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district, the sum of the special taxing districts, and as a total of the taxing authorities, including special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year. In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; ~~and~~

(5) any additional amount levied in lieu of a local sales and use tax, unless this amount is included in the proposed or final taxes; *and*

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 12. Minnesota Statutes 1992, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain 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 must be separately stated. The amounts due other taxing districts, if any, may be aggregated. *The amount of the state tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated.* 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 the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value as defined in section 272.03, subdivision 8;

(2) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total local tax rate and adding to the result the sum of the aids enumerated in clause (3);

(3) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

(4) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(5) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief";

(6) the net tax payable in the manner required in paragraph (a); and

(7) any additional amount of tax authorized under sections 124A.03, subdivision 2a, and 275.61. These amounts shall be listed as "voter approved referenda levies."

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter, the commissioner must certify this amount by September 1.

Sec. 13. [EFFECTIVE DATE.]

Sections 1 to 12 are effective beginning with taxes assessed in 1994, payable in 1995, and apply to reductions in market value in effect for the year regardless of when they were granted.

ARTICLE 8

POLLUTION ABATEMENT LOAN AND GRANT PROGRAM

Section 1. [116J.987] [DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] *In addition to the definitions in section 116J.03, the definitions in this section apply to sections 116J.987 to 116J.990.*

Subd. 2. [MUNICIPALITY.] *"Municipality" means a home rule charter or statutory city, town, county, school district, special taxing district, housing and redevelopment authority authorized to exercise powers under sections 469.001 to 469.047, port authority authorized to exercise powers under sections 469.048 to 469.089, economic development authority authorized to exercise powers under sections 469.090 to 469.1081, or municipal power agency governed by chapter 453.*

Subd. 3. [POLLUTION ABATEMENT DEVELOPMENT GRANT.] *"Pollution abatement development grant" means a grant to a municipality to be used by the municipality for the purposes of section 116J.990, subdivision 3, clause (6).*

Subd. 4. [POLLUTION ABATEMENT DEVELOPMENT LOAN.] *"Pollution abatement development loan" means a loan to a municipality to be used by the municipality for the purposes of section 116J.990, subdivision 3, clause (6).*

Subd. 5. [RESPONSE PLAN.] *"Response plan" means a development response action plan for removal, remedial, or corrective actions under section 469.174, subdivision 17, or a voluntary response action plan under section 115B.175.*

Subd. 6. [TERMS DEFINED IN OTHER CHAPTERS.] *"Facility," "federal Superfund Act," "hazardous substance," "pollutant or contaminant," "release," "remedy or remedial action," "removal action," and "response" have the meanings given in section 115B.02. "Corrective action" and "petroleum" have the meanings given in section 115C.02.*

Sec. 2. [116J.988] [ADDITIONAL POWERS OF COMMISSIONER.]

For the purposes of sections 116J.987 to 116J.990, the commissioner may exercise the powers of the public facilities authority in section 446A.04 and may issue bonds under sections 446A.12 to 446A.20.

Sec. 3. [116J.989] [POLLUTION ABATEMENT DEVELOPMENT LOAN FUND.]

Subdivision 1. [ESTABLISHMENT.] *A pollution abatement development fund is established in the state treasury and administered by the commissioner. The fund consists of money appropriated to it by the legislature, other public or private funding sources, and earnings on assets in the fund.*

Subd. 2. [PURPOSES FOR WHICH MONEY MAY BE SPENT.] *Money in the fund is appropriated for the following purposes:*

(1) to make pollution abatement development grants;

(2) to make or buy pollution abatement development loans;

(3) to pay the costs incurred in making or buying grants and loans under section 116J.990;

(4) to provide a source of revenue or security for the payment of principal and interest on bonds issued by the department, provided all of the bond proceeds are credited to the fund and used pursuant to sections 116J.987 to 116J.990; or

(5) to subsidize the interest rate on loans under section 116J.990.

Subd. 3. [SEPARATE ACCOUNTS.] *The commissioner may require the commissioner of finance to create separate accounts within the fund to account for any money subject to limitation on use.*

Sec. 4. [116J.990] [POLLUTION ABATEMENT DEVELOPMENT LOANS AND GRANTS.]

Subdivision 1. [AUTHORIZATION.] *The commissioner may make or buy pollution abatement development loans with money from the pollution abatement development fund to pay up to 40 percent of the cost of a response plan. The commissioner may make a grant with money from the fund to pay up to one-half of the cost of a response plan. Both a loan and grant may be used to provide 90 percent funding for a single response plan.*

Subd. 2. [LOAN REPAYMENT OBLIGATIONS.] *(a) A municipality's obligation to repay a pollution abatement development loan must be evidenced by a revenue agreement with the commissioner. Loan repayment obligations are payable as a general obligation backed by the full faith and credit of the municipality. Payments made by the municipality under the revenue agreement may be less than or equal to the principal amount of the loan as determined by the commissioner based on the available sources of payment under this section. The loan may be interest free for a maximum period of five years. Thereafter the interest on the loan is at a rate and on terms set by the commissioner.*

(b) A municipality must provide a local match equal to ten percent of the cost of a response plan from unrestricted money available to the municipality, excluding tax increment.

Subd. 3. [LOAN AND GRANT APPLICATION.] *To obtain a contamination cleanup development grant, the development authority shall apply to the commissioner. The governing body of the municipality must approve, by resolution, the application. The commissioner shall prescribe and provide the application form. The application must include at least the following information:*

(1) identification of the site;

(2) the proposed or approved response action plan for the site;

(3) the results of engineering and other tests showing the nature and extent of the release of contaminants on site or the threatened release of contaminants onto the site;

(4) a detailed estimate, along with necessary supporting evidence, of the total cleanup costs for the site;

(5) an appraisal of the current market value of the property, separately taking into account the effect of the contaminants on the market value,

prepared by a qualified independent appraiser using accepted appraisal methodology;

(6) an assessment of the immediate or long-term potential hazard to the public health and safety resulting from a failure to implement the response action plan;

(7) an assessment of the development potential or likely use of the site after completion of the response action plan, including any specific commitments from third parties to construct improvements on the site;

(8) the manner in which the municipality will meet the local match requirement;

(9) any additional information or material that the commissioner prescribes;

(10) if applicable, that the municipality has previously received a pollution abatement development grant or loan for the property and in the course of carrying out the response plan has determined that the response plan should be amended or supplemented to provide for additional removal, remedial, or corrective actions; and

(11) if applicable, that the commissioner of the pollution control agency has reviewed and approved the amendment or supplement to the response plan reflecting the additional removal, remedial, or corrective actions taken under clause (10).

Subd. 4. [LOAN AND GRANT PRIORITY AND RESTRICTIONS.] *(a) On receipt of a loan or grant application, the pollution control agency shall advise the commissioner on the application based on the following criteria:*

(1) the nature, desirability, and appropriateness of the applicant's proposed remedial action; and

(2) whether entry into the agreement will expedite undertaking a remedy or remedial action.

(b) Complete or permanent remedial action is not required unless the pollution control agency determines that a failure to do so would:

(i) interfere with the implementation of a future remedy or remedial action;

(ii) result in an action that would significantly contribute to the release or threat of release of a hazardous substance or pollutant or contaminant; or

(iii) pose health risks for persons in the vicinity of the real property or facility.

(c) The commissioner shall make a selection based on the following criteria:

(1) the recommendation of the pollution control agency;

(2) the recommendation of a municipality as to the desirability of the development or redevelopment;

(3) the location and importance of the real property or facility to the municipality and the state in terms of the desirability of the development or redevelopment;

(4) the amount of proposed new investment in the real property or facility;

(5) whether the municipality will create a tax increment district or subdistrict to fund repayment of the loan; and

(6) whether the proposed development or redevelopment will leverage state expenditures.

(d) The amount made available by the combination of loans and grants must not exceed a total of $5,000,000 for a site.

(e) Loans and grants must be made quarterly to applicants. If the commissioner determines that money in the fund is insufficient to make all loans and grants properly applied for, preference must be given first to applicants that meet the criteria described in paragraph (f) and subdivision 3, clauses (10) and (11). Applicants who are otherwise qualified but are not awarded a loan or grant due to a lack of available funds must be given preference on the next award date when funds are available.

(f) The award of grants and loans is limited as follows:

(1) not more than 70 percent of the available funds may be allocated to municipalities located in the metropolitan area as defined in section 473.121, subdivision 2; and

(2) not more than 33-1/3 percent of the available funds may allocated to a single municipality.

If the requests for funds for qualified projects from outside the metropolitan area or from municipalities having less than 33-1/3 percent of the available funds in any year are insufficient to utilize all available funds, the funds may be allocated without regard to the limitation in this section. Any allocation of these funds without regard to the limitation in this section does not affect a municipality's later application for a loan or grant.

(g) A pollution abatement development loan or grant may not be made, unless approved by the pollution control agency, for a site for which removal, remedial, or corrective actions are scheduled by the pollution control agency to be initially funded during the current or next fiscal year under the federal Superfund Act, the Leaking Underground Storage Tank Trust Fund, United States Code, title 42, section 6991b, the environmental response, compensation, and compliance account under section 115B.20, the petroleum tank release cleanup account under section 115C.08, or another state funding source.

(h) Pollution abatement loans and grants may be made only if the appraised value of the contaminated portion of the site (1) for which the procedures of section 115B.17, subdivision 1, paragraph (a), clause (1), have not been completed, and (2) after adjusting for the effect on the value of the presence or possible presence of contaminants using accepted appraisal methodology is less than the estimated cleanup costs for the site or the cost of the response plan exceeds $2 per square foot for the contaminated portion of the site.

Subd. 5. [LOAN OR GRANT APPROVAL.] *(a) On approval of a loan or grant, the commissioner shall notify the municipality:*

(1) of the amount of the loan or grant;

(2) that the approved amount is in a special account in the pollution abatement development loan fund established in section 116J.989; and

(3) that the loan or grant will be made when the terms for making and repaying the loan have been agreed to by the commissioner and the municipality.

(b) The loan must be evidenced by instruments prepared under this section and the law under which the municipality proposes to issue its obligation.

Subd. 6. [ACCOUNTING OF COSTS.] *Upon completion of the response plan, the municipality shall submit to the commissioner an accounting of costs incurred and any unexpended loan or grant proceeds, including any unexpended investment earnings on proceeds, which must be applied to the payment of the obligation under the loan agreement.*

Subd. 7. [AUTHORIZATION TO BORROW.] *Notwithstanding any general or special law or charter to the contrary, a municipality may borrow from the fund by entering into a revenue agreement between the municipality and the commissioner. The commissioner may require the municipality to issue a note payable to the department or a fiduciary for the department consistent with the terms of the revenue agreement. The security for the repayment of the obligation evidenced by the revenue agreement or the note must be the full faith and credit of the municipality. The revenue agreement or note is an obligation under section 475.51, subdivision 3, but the issuance of the obligation is not otherwise subject to chapter 475.*

Subd. 8. [RESPONSE PLAN EXPENSE RECOVERY ACTIONS.] *(a) The commissioner shall notify the attorney general whenever the commissioner makes a loan or grant under sections 116J.987 to 116J.990.*

Any reasonable and necessary expenses incurred by the municipality for any removal or remedial action approved by the agency or commissioner pursuant to this chapter and consistent with section 115B.17, subdivision 1, including all response costs, administrative and legal expenses, but not including any costs related to operation of the loan and grant program, the development of the property, or other costs not directly required by the approved response action plan, may be recovered in a civil action brought by the attorney general against any person who may be liable under section 115B.04 or any other law, provided that no such cost recovery action can be brought by the attorney general, the municipality, or any other person affiliated with the pollution abatement development program, against a potentially responsible person, for any costs incurred under this chapter unless the procedures of 115B.17, subdivision 1, paragraph (a), clause (1), have been completed with respect to the potentially responsible person. Nothing herein restricts the right of any person named as a party in any civil action brought by the attorney general from naming other potentially responsible parties in that action, notwithstanding any inaction by the agency or commissioner pursuant to section 115B.17.

(b) If the attorney general brings an action under paragraph (a), clause (1), the municipality shall certify its reasonable and necessary expenses to implement the response plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the municipality is prima facie evidence that the expenses are reasonable and necessary.

(c) The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (a), clause (1). Money recovered or paid to the attorney general for litigation expenses under this paragraph must be credited to the general fund. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

Money recovered in an action brought under this subdivision in excess of the amounts paid to the attorney general for litigation expenses must be credited to the pollution abatement development fund established in section 116J.989.

Subd. 9. [RULES.] *The commissioner may adopt rules to implement this section.*

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment.

ARTICLE 9

INCOME TAX

Section 1. Minnesota Statutes 1992, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b)~~(1) Unless clause (2) applies, if during any calendar month, other than the last month of the calendar quarter, the aggregate amount of the tax withheld during that quarter under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, exceeds $500, the employer shall deposit the aggregate amount with the commissioner within 15 days after the close of the calendar month.~~

~~(2) If at the close of any eighth-monthly period the aggregate amount of undeposited taxes is $3,000 or more, the employer, or person withholding tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, shall deposit the undeposited taxes with the commissioner within three banking days after the close of the eighth-monthly period. For purposes of this clause, the term "eighth-monthly period" means the first three days of a calendar month, the fourth day through the seventh day of a calendar month, the eighth day through the 11th day of a calendar month, the 12th day through the 15th day of a calendar month, the 16th day through the 19th day of a calendar month, the 20th day through the 22nd day of a calendar month, the 23rd day through the 25th day of a calendar month, or the part of a calendar month following the 25th day of the month.~~ *An employer who, during the previous*

quarter, withheld more than $500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Treasury Regulation, section 31.6302-1 without regard to the safe harbor or de minimus rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds $240,000, the employer must remit each required deposit in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.

Sec. 2. Minnesota Statutes 1992, section 289A.26, subdivision 7, is amended to read:

Subd. 7. [REQUIRED INSTALLMENTS.] (a) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(b) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(1)~~(i) for tax years beginning in calendar year 1992, 93~~ *97* percent of the tax shown on the return for the taxable year, or, if no return is filed, ~~93~~ *97* percent of the tax for that year; *or*

~~(ii) for tax years beginning after December 31, 1992, 95 percent of the tax shown on the return for the taxable year, or if no return is filed 95 percent of the tax for that year; or~~

(2) 100 percent of the tax shown on the return of the entity for the preceding taxable year provided the return was for a full 12-month period, showed a liability, and was filed by the entity.

(c) Except for determining the first required installment for any taxable year, paragraph (b), clause (2), 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 (b), clause (2), must be recaptured by increasing the next required installment by the amount of the reduction.

(d) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (a), 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 later required installments to the extent the reductions have not previously been recovered.

(e) The "annualized income installment" is the excess, if any, of:

(1) 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

(2) the aggregate amount of any prior required installments for the taxable year.

(3) 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 (1).

(4) The "applicable percentage" used in clause (1) is:

For the following required installments:		The applicable percentage is:	
	~~for tax years beginning in 1992~~		~~for tax years beginning after December 31, 1992~~
1st	~~23.25~~	*24.25*	~~23.75~~
2nd	~~46.5~~	*48.5*	~~47.5~~
3rd	~~69.75~~	*72.75*	~~71.25~~
4th	~~93~~	*97*	~~95~~

(f)(1) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for the months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for the 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 the months during the taxable year preceding the filing month.

(2) For purposes of this paragraph:

(i) the "base period percentage" for a period of months is the average percent that 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 only applies 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.

(3) In the case of a required installment determined under this paragraph, if the entity determines that the installment is less than the amount determined in paragraph (a), 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 later required installments to the extent the reductions have not previously been recovered.

Sec. 3. Minnesota Statutes 1992, 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(h) 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) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate

investment trust taxable income as defined in section 857(b)(2) 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. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, and the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, 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. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, and the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 4. Minnesota Statutes 1992, 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) of the Internal Revenue Code, 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 regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, 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. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed; 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; ~~and~~

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729; *and*

(5) the amount of any deduction taken under section 162(a)(1) of the Internal Revenue Code for the taxable year for wages, salary, and bonuses in excess of $1,000,000 paid to any employee.

Sec. 5. Minnesota Statutes 1992, 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; 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 dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code;

(5) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(6) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(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;

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

(10) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(11) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(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, paragraph (g)*; and*

(14) the amount of any deduction taken under section 162(a)(1) of the Internal Revenue Code for the taxable year for wages, salary, and bonuses in excess of $1,000,000 paid to any employee.

Sec. 6. Minnesota Statutes 1992, section 290.191, subdivision 4, is amended to read:

Subd. 4. [APPORTIONMENT FORMULA FOR CERTAIN MAIL ORDER BUSINESSES.] If the business *of a corporation, partnership, or proprietorship* consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and 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~~ *its* 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:

(1) the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities must be disregarded; and

(2) property and payroll at a distribution center outside of Minnesota are disregarded if the sole activity at the distribution center is the filling of orders, and no solicitation of orders occurs at the distribution center.

Sec. 7. [ADJUSTMENT OF WITHHOLDING TABLES.]

The commissioner of revenue shall adjust withholding tax tables used for purposes of Minnesota Statutes, section 290.92, to take into account changes in potential tax liabilities attributable to the effect of the inflation adjustment of income tax brackets under Minnesota Statutes, section 290.06, subdivision 2d, and the inflation adjustment of the amount of the deduction for personal exemptions under section 151(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1992. The adjusted withholding tax tables shall be published as soon as practicable.

Sec. 8. [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, 1992" for the words "Internal Revenue Code of 1986, as amended through December 31, 1991" where the phrase occurs in chapters 289A, 290, 290A, 291, and 297, except for section 290.01, subdivision 19, and for the words "Internal Revenue Code of 1986, as amended through December 31, 1988," where the phrase occurs in chapter 298. 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, 1992," for references to the Internal Revenue Code of 1954 or the Internal Revenue Code of 1986, as amended through dates set in sections 61A.276, 82A.02, 136.58, 181B.02, 181B.07, 246A.23, 246A.26, subdivisions 1, 2, 3, and 4, 272.02, subdivision 1, 273.11, subdivision 8, 297A.01, subdivision 3, 297A.25, subdivision 25, 352.01, subdivision 2b, 354A.021, subdivision 5, 355.01, subdivision 9, and 356.62.

Sec. 9. [EFFECTIVE DATE.]

Section 1 is effective for payments received after December 31, 1993.

Section 2 is effective for tax years beginning after December 31, 1993.

Sections 3, 4, and 6 are effective for tax years beginning after December 31, 1992.

Section 5 is effective the day following final enactment.

ARTICLE 10

SALES AND SPECIAL TAXES

Section 1. Minnesota Statutes 1992, section 115B.22, subdivision 7, is amended to read:

Subd. 7. [DISPOSITION OF PROCEEDS.] *After reimbursement to the department of revenue for costs incurred in administering sections 115B.22 and 115B.24,* the proceeds of the taxes imposed under this section including any interest and penalties shall be deposited in the environmental response, compensation, and compliance account.

Sec. 2. Minnesota Statutes 1992, section 239.785, is amended to read:

239.785 [LIQUEFIED PETROLEUM GAS SALES.]

Subdivision 1. [LIABILITY FOR PAYMENT.] *(a)* The operator of a terminal ~~that sells~~ *located in Minnesota from which* liquefied petroleum gas ~~for resale to retail customers~~ *is dispensed for use or sale* in this state *other than for delivery to another terminal* shall pay a fee equal to one mill for each gallon of liquefied petroleum gas ~~sold by the terminal~~ *dispensed.*

(b) Any person in Minnesota, other than the operator of a terminal, receiving liquefied petroleum gas from a source outside of Minnesota for use or sale in this state shall pay a fee equal to one mill for each gallon of liquefied petroleum gas received.

Subd. 2. [DUE DATES FOR FILING OF RETURNS AND PAYMENT.] The fee must be remitted monthly ~~to~~ *on a form prescribed by* the commissioner of revenue for deposit in the general fund. *The fee must be paid and the return filed on or before the 23rd day of each month following the month in which the liquefied petroleum gas was delivered or received.*

Subd. 3. [PENALTIES.] *An operator or person who fails to pay the fee imposed under this section is subject to the penalties provided in sections 296.15 and 296.25.*

Subd. 4. [COMMISSIONER'S AUTHORITY.] *The provisions of chapter 296 relating to the commissioner's authority to audit, assess, and collect the tax imposed by that chapter apply to the fee imposed by this section.*

Subd. 5. [INTEREST.] *Fees and penalties are subject to interest at the rate provided in section 270.75.*

Sec. 3. Minnesota Statutes 1992, section 270B.08, subdivision 1, is amended to read:

Subdivision 1. [~~PERMIT~~ *AUTHORIZATION* INFORMATION.] The commissioner may disclose to any person making an inquiry regarding the ~~issuance of a sales tax permit to~~ *authorization to conduct taxable sales of* a specific retailer whether ~~a permit~~ *authorization* has been ~~issued~~ *granted* to the retailer, the name and address of the ~~permit holder~~ *retailer*, the business name and location, the sales and use tax account number, and the date of ~~issuance of the permit~~ *authorization.*

Sec. 4. Minnesota Statutes 1992, section 270B.08, subdivision 2, is amended to read:

Subd. 2. [REVOCATION.] When a taxpayer's *authorization to conduct taxable* sales ~~tax permit~~ has been revoked under section 297A.07, the commissioner may disclose data identifying the holder of the revoked ~~permit~~ *authorization* and the basis for the revocation.

Sec. 5. Minnesota Statutes 1992, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. [RETURN REQUIRED.] Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by sections 297A.01 to 297A.44 are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form the commissioner prescribes. The return must be verified by a written declaration that it is made under the criminal penalties for making a false return, and in addition must contain a confession of judgment for the amount of the tax shown due to the extent not timely paid. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner.

Notwithstanding this subdivision, a person who is not required to ~~hold~~ a ~~sales tax permit~~ *have authorization to conduct taxable sales* under chapter 297A and who makes annual purchases of less than $5,000 that are subject to the use tax imposed by section 297A.14, may file an annual use tax return on a form prescribed by the commissioner. If a person who qualifies for an annual use tax reporting period is required to obtain ~~a sales tax permit~~ *authorization to conduct taxable sales* or makes use tax purchases in excess of $5,000 during the calendar year, the reporting period must be considered ended at the end of the month in which the ~~permit~~ *authorization* is applied for or the purchase in excess of $5,000 is made and a return must be filed for the preceding reporting period.

Sec. 6. Minnesota Statutes 1992, section 289A.56, subdivision 3, is amended to read:

Subd. 3. [WITHHOLDING TAX, ENTERTAINER WITHHOLDING TAX, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, ESTATE TAX, AND SALES TAX OVERPAYMENTS.] When a refund is due for overpayments of withholding tax, entertainer withholding tax, withholding from payments to out-of-state contractors, *or* estate tax, ~~or sales tax,~~ interest is computed from the date of payment to the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the later of the date the tax was finally due or was paid.

For purposes of computing interest on sales and use tax refunds, interest is paid from the date of payment to the date the refund is paid or credited, provided the refund claim includes a detailed schedule reflecting the tax periods covered in the claim. When the refund claim submitted does not include a detailed schedule reflecting the tax periods covered in the claim, interest is computed from the date the claim was filed.

Sec. 7. Minnesota Statutes 1992, section 289A.63, subdivision 3, is amended to read:

Subd. 3. [SALES WITHOUT ~~PERMIT~~ *AUTHORIZATION*; VIOLATIONS.] (a) A person who engages in the business of making retail sales in Minnesota without the ~~permit or permits required~~ *authorization granted* under

chapter 297A, or a responsible officer of a corporation who so engages in business, is guilty of a gross misdemeanor.

(b) A person who engages in the business of making retail sales in Minnesota after revocation of ~~a permit~~ *authorization to conduct taxable sales* under section 297A.07, when the commissioner has not ~~issued a~~ *granted* new ~~permit~~ *authorization*, is guilty of a felony.

Sec. 8. Minnesota Statutes 1992, section 296.02, subdivision 8, is amended to read:

Subd. 8. [CREDITS FOR SALES TO GOVERNMENTS AND SCHOOLS.] A distributor shall be allowed a credit of 80 cents for every gallon of fuel grade alcohol blended with gasoline to produce agricultural alcohol gasoline which is sold to the state, local units of government, or for use in the transportation of pupils to and from school-related events in ~~school~~ vehicles *owned by or under contract to a school district*. This reduction is in lieu of the reductions provided in subdivision 7.

Sec. 9. Minnesota Statutes 1992, 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. "Sale" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) 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; or

(3) meals and lunches served at public and private schools, universities, or colleges. 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, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, 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. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. 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. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(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 *or 53*, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies *only* 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 not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub pruning, bracing, spraying, and surgery; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) solid waste collection and disposal services as described in section 297A.45;

(viii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(ix) the furnishing for consideration of lodging, board and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

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 partnership or association for another 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

(l) 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.

Sec. 10. Minnesota Statutes 1992, section 297A.01, subdivision 6, is amended to read:

Subd. 6. "Use" includes the exercise of any right or power over tangible personal property, or tickets or admissions to places of amusement or athletic events, purchased from a retailer incident to the ownership of any interest in that property, except that it does not include the sale of that property in the regular course of business.

"Use" includes the consumption of printed materials which are consumed in the creation of nontaxable advertising that is distributed, either directly or indirectly, within Minnesota.

Sec. 11. Minnesota Statutes 1992, section 297A.01, subdivision 16, is amended to read:

Subd. 16. [CAPITAL EQUIPMENT.] Capital equipment means machinery and equipment and the materials and supplies necessary to construct or install the machinery or equipment. To qualify under this definition the capital equipment must be used by the purchaser or lessee for manufacturing, fabricating, mining, quarrying, or refining a product to be sold at retail and must be used for the establishment of a new or the physical expansion of an existing manufacturing, fabricating, mining, quarrying, or refining facility in the state. For purposes of this subdivision, "mining" includes peat mining *and "product" includes on-line computerized data retrieval services.* Capital equipment does not include (1) machinery or equipment purchased or leased to replace machinery or equipment performing substantially the same function in an existing facility, *except machinery and equipment used in the mining or production of taconite,* (2) repair or replacement parts , or (3) machinery or equipment used to receive or store raw materials.

Sec. 12. Minnesota Statutes 1992, section 297A.04, is amended to read:

297A.04 [APPLICATIONS; MEMBER; VENDING MACHINES; FORM.]

Every person desiring to engage in the business of making retail sales within Minnesota shall file with the commissioner an application for a ~~permit~~

~~and if such person has more than one place of business, an application for each place of business must be filed. A vending machine operator who has more than one vending machine location shall nevertheless be considered to have only one place of business for purposes of this section. An applicant who has no regular place of doing business and who moves from place to place shall be considered to have only one place of business and shall attach such permit to the applicant's cart, stand, truck or other merchandising device~~ *authorization to conduct taxable sales*. The commissioner may require any person or class of persons obligated to file a use tax return under section 289A.11, subdivision 3, to file application for ~~a permit~~ *authorization to conduct taxable sales*. Every application for ~~a permit~~ *authorization to conduct taxable sales* shall be made upon a form prescribed by the commissioner and shall set forth the name under which the applicant intends to transact business, the location of the applicant's place or places of business, and such other information as the commissioner may require. The application shall be filed by the owner, if a natural person; by a member or partner, if the owner ~~be~~ *is* an association or partnership; by a person authorized to ~~sign~~ *file* the application, if the owner ~~be~~ *is* a corporation.

Sec. 13. Minnesota Statutes 1992, section 297A.041, is amended to read:

297A.041 [OPERATOR OF FLEA MARKETS; SELLER'S ~~PERMITS~~ *AUTHORIZATION* REQUIRED.]

The operator of a flea market, craft show, antique show, coin show, stamp show, comic book show, convention exhibit area, or similar selling event, as a prerequisite to renting or leasing space on the premises owned or controlled by the operator to a person desiring to engage in or conduct business as a seller, shall obtain evidence that the seller is ~~the holder of a valid seller's permit issued~~ *authorized to conduct taxable sales* under section 297A.04, or a written statement from the seller that the seller is not offering for sale any item that is taxable under this chapter.

Flea market, craft show, antique show, coin show, stamp show, comic book show, convention exhibit area, or similar selling event, as used in this section, means an activity involving a series of sales sufficient in number, scope, and character to constitute a regular course of business, and that would not qualify as an isolated or occasional sale under section 297A.25, subdivision 12.

This section does not apply to an operator of a flea market, craft show, antique show, coin show, stamp show, comic book show, convention exhibit area, or similar selling event that is: (1) held in conjunction with a community sponsored festival that has a duration of four or fewer consecutive days no more than once a year; or (2) conducted by a nonprofit organization annually or less frequently.

Sec. 14. Minnesota Statutes 1992, section 297A.06, is amended to read:

297A.06 [~~PERMIT~~ *AUTHORIZATION TO CONDUCT TAXABLE SALES*.]

After compliance with sections 297A.04 and 297A.28, when security is required, the commissioner shall ~~issue~~ *grant* to each applicant ~~a separate permit for each place of business within Minnesota. A permit shall be~~ *authorization to conduct taxable sales. Authorization is* valid until canceled or revoked but ~~shall~~ *is* not ~~be~~ assignable and ~~shall be~~ *is* valid only for the person in whose name it is ~~issued~~ *granted* and for the transaction of business at the

~~place~~ *places* designated ~~therein~~. ~~It shall at all times be conspicuously displayed at the place for which issued.~~

Sec. 15. Minnesota Statutes 1992, section 297A.065, is amended to read:

297A.065 [CANCELLATION OF ~~PERMITS~~ *AUTHORIZATION*.]

The commissioner may cancel ~~a permit~~ *authorization to conduct taxable sales* when one of the following conditions occurs:

(1) the ~~permit holder~~ *retailer* has not filed a sales or use tax return for one year or more;

(2) the ~~permit holder~~ *retailer* has not reported any sales or use tax liability on the ~~permit holder's~~ *retailer's* returns for two or more years; or

(3) the ~~permit holder~~ *retailer* requests cancellation of ~~the permit~~ *authorization*.

Sec. 16. Minnesota Statutes 1992, section 297A.07, subdivision 1, is amended to read:

Subdivision 1. [HEARINGS.] If any person fails to comply with this chapter or the rules adopted under this chapter, without reasonable cause, the commissioner may schedule a hearing requiring the person to show cause why the ~~permit or permits~~ *authorization to conduct taxable sales* should not be revoked. The commissioner must give the person 15 days' notice in writing, specifying the time and place of the hearing and the reason for the proposed revocation. The notice shall also advise the person of the person's right to contest the revocation under this subdivision, the general procedures for a contested case hearing under chapter 14, and the notice requirement under subdivision 2. The notice may be served personally or by mail in the manner prescribed for service of an order of assessment.

Sec. 17. Minnesota Statutes 1992, section 297A.07, subdivision 2, is amended to read:

Subd. 2. [CONTESTING OF REVOCATION.] A person planning to contest the revocation of ~~a sales tax permit~~ *authorization to conduct taxable sales* must give the commissioner written notice of intent to do so five calendar days before the date of the hearing. If the person does not provide the notice and has no reasonable justification for not doing so, or does not attend the hearing, the commissioner may request a finding of default and recommendation for revocation by the administrative law judge.

Sec. 18. Minnesota Statutes 1992, section 297A.07, subdivision 3, is amended to read:

Subd. 3. [NEW ~~PERMITS~~ *AUTHORIZATION* AFTER REVOCATION.] The commissioner shall not ~~issue~~ *grant* a new ~~permit~~ *authorization to conduct taxable sales* or reinstate a revoked ~~permit~~ *authorization* after revocation unless the taxpayer applies for ~~a permit~~ *authorization to conduct taxable sales* and provides reasonable evidence of intention to comply with the sales and use tax laws and rules. The commissioner may require the applicant to supply security, in addition to that authorized by section 297A.28, as is reasonably necessary to insure compliance with the sales and use tax laws and rules.

Sec. 19. Minnesota Statutes 1992, section 297A.10, is amended to read:

297A.10 [EXEMPTION CERTIFICATE, DUTY OF RETAILER.]

The exemption certificate will conclusively relieve the retailer from collecting and remitting the tax only if taken in good faith from a purchaser who holds the ~~permit~~ *authorization to conduct taxable sales* provided for in section 297A.06.

Sec. 20. Minnesota Statutes 1992, section 297A.11, is amended to read:

297A.11 [CONTENT AND FORM OF EXEMPTION CERTIFICATE.]

The exemption certificate shall be signed by and bear the name and address of the purchaser, shall indicate the *sales tax account* number ~~of the permit~~ if any issued to the purchaser and shall indicate the general character of the property sold by the purchaser in the regular course of business and shall identify the property purchased. The certificate shall be substantially in such form as the commissioner may prescribe.

Sec. 21. Minnesota Statutes 1992, section 297A.135, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A tax ~~of $7.50~~ is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.011, subdivision 7, a van as defined in section 168.011, subdivision 28, or a pickup truck as defined in section 168.011, subdivision 29. *The tax is imposed at the rate of $2.75 per day of the term of the lease or rental, not to exceed $10.* The tax does not apply to the lease or rental of a hearse or limousine used in connection with a burial or funeral service. It applies whether or not the vehicle is licensed in the state.

Sec. 22. Minnesota Statutes 1992, section 297A.14, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] For the privilege of using, storing, *distributing,* or consuming in Minnesota tangible personal property or taxable services purchased for use, storage, *distribution,* or consumption in this state, a use tax is imposed on every person in this state at the rate of tax imposed under section 297A.02 on the sales price of sales at retail of the items, unless the tax imposed by section 297A.02 was paid on the sales price.

A use tax is imposed on every person who uses, stores, *distributes,* or consumes tangible personal property in Minnesota which has been manufactured, fabricated, or assembled by the person from materials, either within or without this state, at the rate of tax imposed under section 297A.02 on the sales price of sales at retail of the materials contained in the tangible personal property, unless the tax imposed by section 297A.02 was paid on the sales price.

Sec. 23. Minnesota Statutes 1992, section 297A.15, subdivision 1, is amended to read:

Subdivision 1. [LIABILITY FOR PAYMENT.] 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 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~~ *authorization* to collect the tax.

Sec. 24. Minnesota Statutes 1992, section 297A.15, subdivision 4, is amended to read:

Subd. 4. [SEIZURE; COURT REVIEW.] The commissioner of revenue or the commissioner's duly authorized agents are empowered to seize and confiscate in the name of the state any truck, automobile or means of transportation not owned or operated by a common carrier, used in the illegal importation and transportation of any article or articles of tangible personal property by a retailer or the retailer's agent or employee who does not have ~~a sales or use tax permit~~ *authorization to conduct taxable sales* and has been engaging in transporting personal property into the state without payment of the tax. The commissioner may demand the forfeiture and sale of the truck, automobile or other means of transportation together with the property being transported illegally, unless the owner establishes to the satisfaction of the commissioner or the court that the owner had no notice or knowledge or reason to believe that the vehicle was used or intended to be used in any such violation. Within two days after the seizure, the person making the seizure shall deliver an inventory of the vehicle and property seized to the person from whom the seizure was made, if known, and to any person known or believed to have any right, title, interest or lien on the vehicle or property, and shall also file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the vehicle and property was seized or any person claiming an interest in the vehicle or property may file with the commissioner a demand for a judicial determination of the question as to whether the vehicle or property was lawfully subject to seizure and forfeiture. The commissioner, within 30 days, shall institute an action in the district court of the county where the 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 shall try and determine the issues of fact and law involved. Whenever a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, cause the forfeited vehicle and property to be sold at public auction as provided by law. If a demand for judicial determination is made and no action is commenced as provided in this subdivision, the vehicle and property shall be released by the commissioner and redelivered to the person entitled to it. If no demand is made, the vehicle and property seized shall be deemed forfeited to the state by operation of law and may be disposed of by the commissioner as provided where there has been a judgment of forfeiture. The forfeiture and sale of the automobile, truck or other means of transportation, and of the property being transported illegally in it, is a penalty for the violation of this chapter. After deducting the expense of keeping the vehicle and property, the fee for seizure, and the costs of the sale, the commissioner shall pay from the funds collected 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 vehicle or property was being used or was intended to be used for or in connection with any such violation as 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. The state shall not be liable for any liens in excess of the proceeds from the sale after deductions provided. Any sale under the provisions of this section shall operate to free the vehicle and property sold from any and all liens on it, and appeal from the order of the district court will lie as in other civil cases.

For the purposes of this section, "common carrier" means any person engaged in transportation for hire of tangible personal property by motor vehicle, limited to (1) a person possessing a certificate or permit authorizing for-hire transportation of property from the interstate commerce commission

or the public utilities commission; or (2) any person transporting commodities defined as "exempt" in for-hire transportation; or (3) any person who pursuant to a contract with a person described in (1) or (2) above transports tangible personal property.

Sec. 25. Minnesota Statutes 1992, section 297A.21, subdivision 3, is amended to read:

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~~ *authorization to conduct taxable sales* pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16.

Sec. 26. Minnesota Statutes 1992, section 297A.21, subdivision 4, is amended to read:

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~~ *authorization to conduct taxable sales* 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 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 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 (1) makes 100 or more retail sales from outside this state to destinations within this state during a period of 12 consecutive months, or (2) makes ten or more retail sales totaling more than $100,000 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. This paragraph does not apply to the tax imposed under section 297A.021.

Sec. 27. Minnesota Statutes 1992, section 297A.21, subdivision 5, is amended to read:

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~~ *authorization to conduct taxable sales* 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~~ *authorization* is canceled or revoked.

Sec. 28. Minnesota Statutes 1992, section 297A.21, subdivision 6, is amended to read:

Subd. 6. [COMMISSIONER'S DISCRETION.] (a) The commissioner may decline to ~~issue a permit~~ *grant authorization to conduct taxable sales* to any retailer not maintaining a place of business in this state, or may cancel ~~a permit~~ *authorization* previously ~~issued~~ *granted* 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~~ *grant* or cancellation of ~~a permit~~ *authorization* 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. 29. Minnesota Statutes 1992, 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, *fever thermometers, and* therapeutic~~,~~ and prosthetic devices. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood ~~and~~, blood glucose monitoring machines, *and other diagnostic agents,* used in the *monitoring, diagnosing, or* treatment of diabetes. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, or a combination thereof are exempt.

Sec. 30. Minnesota Statutes 1992, 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 colleges, state academies, the Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, educational cooperative service units, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, technical colleges, joint vocational technical districts, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries~~, as defined in section 134.001,~~ of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloging and circulation equipment, and cataloging and circulation software for library use are exempt under this subdivision. *For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.*

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care~~; motor vehicle parts are not exempt under this provision~~. *Sales to a political subdivision of repair and replacement*

parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

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.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.394, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales to other states or political subdivisions of other states are exempt if the sale would be exempt from taxation if it occurred in that state.

Sec. 31. Minnesota Statutes 1992, section 297A.25, subdivision 16, is amended to read:

Subd. 16. [SALES TO NONPROFIT GROUPS.] The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the property purchased is to be used in the performance of charitable, religious, or educational functions, or any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders, are exempt. *For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.* Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, paragraphs (d) and (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii). 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. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 32. Minnesota Statutes 1992, section 297A.25, subdivision 34, is amended to read:

Subd. 34. [MOTOR VEHICLES.] The gross receipts from the sale or use of any motor vehicle taxable under the provisions of the motor vehicle excise tax laws of Minnesota shall be exempt from taxation under this chapter. Notwithstanding subdivision 11, the exemption provided under this subdivision remains in effect for motor vehicles purchased *or leased* by political subdivisions of the state if the vehicles are not subject to taxation under chapter 297B.

Sec. 33. Minnesota Statutes 1992, section 297A.25, subdivision 41, is amended to read:

Subd. 41. [BULLET-PROOF VESTS.] The gross receipts from the sale of bullet-resistant soft body armor that is flexible, concealable, and custom-fitted to provide the wearer with ballistic and trauma protection are exempt if purchased by a *law enforcement agency of the state or a political subdivision of the state, or a* licensed peace officer, as defined in section 626.84, subdivision 1. The bullet-resistant soft body armor must meet or exceed the requirements of standard 0101.01 of the National Institute of Law Enforcement and Criminal Justice in effect on December 30, 1986, or meet or exceed the requirements of the standard except wet armor conditioning.

Sec. 34. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 52. [PARTS AND ACCESSORIES USED TO MAKE A MOTOR VEHICLE HANDICAPPED ACCESSIBLE.] *The gross receipts from the sale of parts and accessories that are used solely to modify a motor vehicle to make it handicapped accessible are exempt. Labor charges for modifying a motor vehicle to make it handicapped accessible are included in this exemption.*

Sec. 35. Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read:

Subd. 53. [LIVESTOCK; HORSES.] *The gross receipts from the sale of livestock, including cattle, sheep, swine, llamas, ratitae, farmed cervidae, mules, and horses other than race horses, are exempt.*

Sec. 36. [297A.253] [SATELLITE BROADCASTING FACILITY MATERIALS; EXEMPTIONS.]

Notwithstanding the provisions of this chapter, there shall be exempt from the tax imposed therein all materials and supplies or equipment used or consumed in constructing, or incorporated into the construction of, a new facility in Minnesota for providing federal communications commission licensed direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band or fixed satellite regional or national program services, as defined in section 272.02, subdivision 1, clause (15), construction of which was commenced after June 30, 1993, and all machinery, equipment, tools, accessories, appliances, contrivances, furniture, fixtures, and all technical equipment or tangible personal property of any other nature or description necessary to the construction and equipping of that facility in order to provide those services.

Sec. 37. Minnesota Statutes 1992, section 297A.255, subdivision 2, is amended to read:

Subd. 2. In the case of an aircraft purchased from a dealer ~~holding a valid sales and use tax permit~~ *authorized to conduct taxable sales as* provided for

by this chapter, the applicant shall present proof that the tax has been paid to such dealer.

Sec. 38. Minnesota Statutes 1992, section 297A.255, subdivision 3, is amended to read:

Subd. 3. In the case of aircraft purchased from persons who are not ~~the holder of valid sales and use tax permits~~ *authorized to conduct taxable sales* under this chapter, the purchaser shall pay the tax to the department of revenue prior to registering or licensing such aircraft within this state. The commissioner of revenue shall issue a certificate stating that the sales and use tax in respect to the transaction has been paid.

Sec. 39. [349.2115] [SPORTS BOOKMAKING TAX.]

Subdivision 1. [IMPOSITION OF TAX.] *An excise tax of six percent is imposed on the value of all bets received by, recorded by, accepted by, forwarded by, or placed with a person engaged in sports bookmaking.*

Subd. 2. [BET DEFINED.] *For purposes of this section, the term "bet" has the meaning given it in section 609.75, subdivision 2.*

Subd. 3. [SPORTS BOOKMAKING DEFINED.] *For purposes of this section, the term "sports bookmaking" has the meaning given it in section 609.75, subdivision 7.*

Subd. 4. [AMOUNT OF BET.] *In determining the value or amount of any bet for purposes of this section, all charges incident to the placing of the bet must be included.*

Subd. 5. [TAX RETURNS.] *A person engaged in sports bookmaking shall file monthly tax returns with the commissioner, in the form required by the commissioner, of all bookmaking activity, and shall include information on all bets recorded, accepted, forwarded, and placed. The returns must be filed on or before the 20th day of the month following the month in which the bets reported were recorded, accepted, forwarded, or placed. The tax imposed by this section is due and payable at the time when the returns are filed.*

Subd. 6. [PERSONS LIABLE FOR TAX.] *Each person who is engaged in receiving, recording, forwarding, or accepting sports bookmaking bets is liable for and shall pay the tax imposed under this section.*

Subd. 7. [JEOPARDY ASSESSMENT; JEOPARDY COLLECTION.] *The tax may be assessed by the commissioner. An assessment made pursuant to this section shall be considered a jeopardy assessment or jeopardy collection as provided in section 270.70. The commissioner shall assess the tax based on personal knowledge or information available to the commissioner. The commissioner shall mail to the taxpayer at the taxpayer's last known address, or serve in person, a written notice of the amount of tax, demand its immediate payment, and, if payment is not immediately made, collect the tax by any method described in chapter 270, except that the commissioner need not await the expiration of the times specified in chapter 270. The tax assessed by the commissioner is presumed to be valid and correctly determined and assessed.*

Subd. 8. [DISCLOSURE PROHIBITED.] *(a) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may reveal facts contained in a sports bookmaking tax return filed with the commissioner as required by this section, nor can any information contained in the report or*

return be used against the tax obligor in any criminal proceeding, unless independently obtained, except in connection with a proceeding involving taxes due under this section, or as provided in section 270.064.

(b) Any person violating this section is guilty of a gross misdemeanor.

(c) This section does not prohibit the commissioner from publishing statistics that do not disclose the identity of tax obligors or the contents of particular returns or reports.

Subd. 9. [DISPOSITION OF PROCEEDS.] *The commissioner shall deposit the tax collected under this section in the state treasury. Thirty-one percent of the proceeds of the tax must be credited to the local government trust fund under section 16A.711, and the remainder credited to the general fund.*

Sec. 40. Laws 1992, chapter 511, article 8, section 37, subdivision 3, is amended to read:

Subd. 3. [EFFECTIVE DATE.] This section is effective for projects begun during the time a county was designated as distressed under Minnesota Statutes, section 297A.257, ~~if the capital equipment was placed in service after August 1, 1990~~.

Sec. 41. [REPEALER.]

Minnesota Statutes 1992, section 115B.24, subdivision 10, is repealed.

Sec. 42. [EFFECTIVE DATE.]

Section 1 is effective for taxes due on or after July 1, 1993.

Section 2 is effective for fees due on or after July 1, 1993.

Sections 3 to 5, 7, 9, 12 to 20, 23 to 28, 30, 31, 33 to 38, and 41 are effective July 1, 1993.

Section 6 is effective for refund claims submitted on or after July 1, 1993.

Sections 10, 22, 29, 32, and 40 are effective the day following final enactment.

Section 11 is effective for sales after June 30, 1993.

Section 21 is effective for leases or rentals of motor vehicles after June 30, 1993.

ARTICLE 11

COLLECTIONS AND COMPLIANCE

Section 1. Minnesota Statutes 1992, section 60A.15, subdivision 2a, is amended to read:

Subd. 2a. [PROCEDURE FOR FILING AND ADJUSTMENT OF STATEMENTS AND TAXES.] (a) Every insurer required to pay a premium tax in this state shall make and file a statement of estimated premium taxes for the period covered by the installment tax payment. Such the installment tax payment. Such statement shall be in the form prescribed by the commissioner of revenue.

(b) On or before March 1, annually every insurer subject to taxation under this section shall make an annual return for the preceding calendar year setting forth such information as the commissioner of revenue may reasonably require on forms prescribed by the commissioner.

(c) On March 1, the insurer shall pay any additional amount due for the preceding calendar year; if there has been an overpayment, such overpayment may be credited without interest on the estimated tax due April 15.

(d) If unpaid by this date, penalties ~~and interest~~ as provided in section ~~290.53~~ *289A.60*, subdivision 1, *as it relates to withholding and sales or use taxes,* shall be imposed.

Sec. 2. Minnesota Statutes 1992, section 60A.15, subdivision 9a, is amended to read:

Subd. 9a. [FAILURE TO FILE; PENALTIES AND INTEREST.] In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner of revenue in pursuance of law there shall be added to the tax penalties ~~and interest~~ as provided in section 289A.60, subdivision 2, *as it relates to withholding and sales or use taxes*.

Sec. 3. Minnesota Statutes 1992, section 60A.15, is amended by adding a subdivision to read:

Subd. 9e. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 4. Minnesota Statutes 1992, section 60A.198, subdivision 3, is amended to read:

Subd. 3. [PROCEDURE FOR OBTAINING LICENSE.] A person licensed as an agent in this state pursuant to other law may obtain a surplus lines license by doing the following:

(a) filing an application in the form and with the information the commissioner may reasonably require to determine the ability of the applicant to act in accordance with sections 60A.195 to 60A.209;

(b) maintaining an agent's license in this state;

(c) delivering to the commissioner a financial guarantee bond from a surety acceptable to the commissioner for the greater of the following:

(1) $5,000; or

(2) the largest semiannual surplus lines premium tax liability incurred by the applicant in the immediately preceding five years; and

(d) agreeing to file with the commissioner of revenue no later than February 15 and August 15 annually, a sworn statement of the charges for insurance procured or placed and the amounts returned on the insurance canceled under the license for the preceding six-month period ending December 31 and June 30 respectively, and at the time of the filing of this statement, paying the

commissioner a tax on premiums equal to three percent of the total written premiums less cancellations; ~~and~~

(e) annually paying a fee as prescribed by section 60A.14, subdivision 1, paragraph (c), clause (10); *and*

(f) paying penalties imposed under section 289A.60, subdivision 1, as it relates to withholding and sales or use taxes, if the tax due under clause (d) is not timely paid.

Sec. 5. Minnesota Statutes 1992, section 60A.199, subdivision 4, is amended to read:

Subd. 4. [FAILURE TO FILE; PENALTIES AND INTEREST.] In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner in pursuance of law there shall be added to the tax penalties ~~and interest~~ as provided in section 289A.60, subdivision 2, *as it relates to withholding and sales or use taxes*.

Sec. 6. Minnesota Statutes 1992, section 60A.199, is amended by adding a subdivision to read:

Subd. 6a. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 7. Minnesota Statutes 1992, section 270.06, is amended to read:

270.06 [POWERS AND DUTIES.]

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) ~~summon~~ *subpoena* witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents *for inspection and copying* relating to any ~~tax~~ matter which the commissioner may have authority to investigate or determine. ~~Provided, that any summons;~~

(8) issue a subpoena which does not identify the person or persons with respect to whose ~~tax~~ liability the ~~summons~~ *subpoena* is issued ~~may be served~~, *but* only if (a) the ~~summons~~ *subpoena* relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any ~~tax~~ law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the ~~summons~~ *subpoena* is issued) is not readily available from other sources, (d) the ~~summons~~ *subpoena* is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a ~~summons~~ *subpoena* which does not identify the person or persons with respect to whose tax liability the ~~summons~~ *subpoena* is issued shall have the right, within 20 days after service of the ~~summons~~ *subpoena*, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the ~~summons~~ *subpoena* is enforceable. If no such petition is made by the party served within the time prescribed, the ~~summons~~ *subpoena* shall have the force and effect of a court order;

~~(8)~~ *(9)* cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

~~(9)~~ *(10)* investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

~~(10)~~ *(11)* consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

~~(11)~~ *(12)* transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

~~(12)~~ *(13)* inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

~~(13)~~ *(14)* administer and enforce the assessment and collection of state taxes and, from time to time, make, publish, and distribute rules for the administration and enforcement of state tax laws. The rules have the force of law;

~~(14)~~ *(15)* prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

~~(15)~~ *(16)* prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and disbar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

~~(16)~~ *(17)* appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to *subpoena,* examine, *and copy* books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. *In addition to administrative subpoenas of the commissioner and the agents,* upon demand of *the commissioner or* an agent, the ~~clerk~~ ~~or~~ court administrator of any *district* court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent *for inspection and copying*. ~~The commissioner may also issue subpoenas.~~ Disobedience of ~~subpoenas issued under this chapter~~ *a court administrator's subpoena* shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner *or an agent*, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

~~(17)~~ *(18)* appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

~~(18)~~ *(19)* execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

~~(19)~~ *(20)* administer and enforce the provisions of sections 325D.30 to 325D.42, the Minnesota unfair cigarette sales act;

~~(20)~~ *(21)* authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and

~~(21)~~ *(22)* exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.

Sec. 8. Minnesota Statutes 1992, 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 a lien has been filed, during the period the lien is enforceable, 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 and amounts received under United States Code, title 29, chapter 19, as amended through December 31, 1989) 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*; provided, no entry can be made upon the business premises or residence of a taxpayer in order to seize property without first obtaining a writ of entry listing the property to be seized and signed by a judge of the district court of the district in which the business premises or residence is located.*

Sec. 9. [270.78] [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.]

In addition to other applicable penalties imposed by law, after notification from the commissioner of revenue to the taxpayer that payments for a tax administered by the commissioner are required to be made by means of electronic funds transfer, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

Sec. 10. Minnesota Statutes 1992, section 289A.18, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year. ~~In addition, on or before June 20 of a year, a retailer who has a May liability of $1,500 or more must file a return with the commissioner for one-half of the estimated June liability, in addition~~

~~to filing a return for the May liability. On or before August 20 of a year, the retailer must file a return showing the actual June liability.~~

(b) Returns filed by retailers required to remit liabilities by means of funds transfer under section 289A.20, subdivision 4, paragraph (d), are due on or before the 25th day of the month following the close of the preceding reporting period. ~~Returns filed under the second sentence of paragraph (a) by a retailer required to remit by means of funds transfer are due on June 25~~ *The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the estimated June liability is due*, and on or before August 25 of a year, the retailer must file a return showing the actual June liability.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than $500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than $1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than $100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than $1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

Sec. 11. Minnesota Statutes 1992, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b)(1) Unless clause (2) applies, if during any calendar month, other than the last month of the calendar quarter, the aggregate amount of the tax

withheld during that quarter under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, exceeds $500, the employer shall deposit the aggregate amount with the commissioner within 15 days after the close of the calendar month.

(2) If at the close of any eighth-monthly period the aggregate amount of undeposited taxes is $3,000 or more, the employer, or person withholding tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, shall deposit the undeposited taxes with the commissioner within three banking days after the close of the eighth-monthly period. For purposes of this clause, the term "eighth-monthly period" means the first three days of a calendar month, the fourth day through the seventh day of a calendar month, the eighth day through the 11th day of a calendar month, the 12th day through the 15th day of a calendar month, the 16th day through the 19th day of a calendar month, the 20th day through the 22nd day of a calendar month, the 23rd day through the 25th day of a calendar month, or the part of a calendar month following the 25th day of the month.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds ~~$240,000~~ *$120,000*, the employer must remit each required deposit in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.

Sec. 12. Minnesota Statutes 1992, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred or following another reporting period as the commissioner prescribes, except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of ~~$1,500~~ *$120,000* or more ~~in May of~~ *during* a *fiscal* year *ending June 30* must remit the June liability *for the next year* in the following manner:

(1) ~~On or~~ *Two business days* before June ~~20~~ *30* of the year, the vendor must remit ~~the actual May liability and one-half~~ *75 percent* of the estimated June liability to the commissioner.

(2) On or before August ~~20~~ *14* of the year, the vendor must pay any additional amount of tax not remitted in June.

~~(3) If the vendor is required to remit by means of funds transfer as provided in paragraph (d), the vendor may remit the May liability as provided for in paragraph (e), but must remit one-half of the estimated June liability on or before June 14. The remaining amount of the June liability is due on August 14.~~

(c) When a retailer located outside of a city that imposes a local sales and use tax collects use tax to be remitted to that city, the retailer is not required to remit the tax until the amount collected reaches $10.

(d) A vendor having a liability of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before ~~the date the tax is due~~ the 14th day of the month following the month in which the taxable event occurred, except for ~~the one-half~~ *75 percent* of the estimated June liability, which is due ~~with the May liability on~~ *two business days before* June ~~14~~ *30*. The remaining amount of the June liability is due on August 14. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(e) If the vendor required to remit by electronic funds transfer as provided in paragraph (d) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. A vendor must notify the commissioner of the option that will be used to estimate the tax due, and must obtain approval from the commissioner to switch to another option. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (d) in all subsequent periods. This paragraph does not apply to the June sales and use liability.

Sec. 13. Minnesota Statutes 1992, section 289A.36, subdivision 3, is amended to read:

Subd. 3. [POWER TO COMPEL TESTIMONY.] In the administration of state tax law, the commissioner may:

(1) administer oaths or affirmations and compel by subpoena the attendance of witnesses, testimony, and the production of a person's pertinent books, records, papers, or other data *for inspection and copying*;

(2) examine under oath or affirmation any person regarding the business of any taxpayer concerning any relevant matter incident to the administration of state tax law. The fees of witnesses required by the commissioner to attend a hearing are equal to those allowed to witnesses appearing before courts of this state. The fees must be paid in the manner provided for the payment of other expenses incident to the administration of state tax law; and

(3) in addition to other remedies that may be available, bring an action in equity by the state against a taxpayer for an injunction ordering the taxpayer to file a complete and proper return or amended return. The district courts of this state have jurisdiction over the action and disobedience of an injunction issued under this clause will be punished as a contempt of district court.

Sec. 14. Minnesota Statutes 1992, section 289A.36, subdivision 7, is amended to read:

Subd. 7. [APPLICATION TO COURT FOR ENFORCEMENT OF SUBPOENA.] ~~The commissioner or the taxpayer may apply to the district court of the county of the taxpayer's residence, place of business, or county where the subpoena can be served as with any other case at law, for an order compelling the appearance of the subpoenaed witness or the production of the subpoenaed records. If the subpoenaed party fails to comply with the order of the court, the party may be punished by the court as for contempt.~~ *Disobedience of subpoenas issued under this section shall be punished by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court.*

Sec. 15. Minnesota Statutes 1992, section 289A.40, is amended by adding a subdivision to read:

Subd. 1a. [INDIVIDUAL INCOME TAXES; REASONABLE CAUSE.] *If the taxpayer establishes reasonable cause for failing to timely file a claim for refund of an overpayment of individual income tax under subdivision 1, and if necessary, independently verifies the fact that an overpayment has been made, a claim for refund of an overpayment of individual income tax may be filed within ten years after the date prescribed for filing the return.*

Sec. 16. Minnesota Statutes 1992, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. [PENALTY FOR FAILURE TO PAY TAX.] If a tax *other than a withholding or sales or use tax* is not paid ~~or amounts required to be withheld are not remitted~~ within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is three percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of three percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 24 percent in the aggregate.

If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an

additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

Sec. 17. Minnesota Statutes 1992, section 289A.60, subdivision 2, is amended to read:

Subd. 2. [PENALTY FOR FAILURE TO MAKE AND FILE RETURN.] If a taxpayer fails to make and file a return other than an income tax return of an individual, *a withholding return, or sales or use tax return*, within the time prescribed or an extension, a penalty is added to the tax. The penalty is three percent of the amount of tax not paid on or before the date prescribed for payment of the tax including any extensions 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 of 30 days, during which the failure continues, not exceeding 23 percent in the aggregate.

If a taxpayer fails to file a return, other than an income tax return of an individual, 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 this subdivision must not be less than the lesser of: (1) $200; or (2) 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.

If a taxpayer fails to file an individual income tax return within six months after the date prescribed for filing of the return, a penalty of ten percent of the amount of tax not paid by the end of that six-month period is added to the tax.

If a taxpayer fails to file a withholding or sales or use tax return within the time prescribed, including an extension, a penalty of five percent of the amount of tax not timely paid is added to the tax.

Sec. 18. Minnesota Statutes 1992, section 289A.60, is amended by adding a subdivision to read:

Subd. 5a. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file withholding or sales or use tax returns or timely pay withholding or sales or use taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 19. Minnesota Statutes 1992, section 289A.60, subdivision 15, is amended to read:

Subd. 15. [ACCELERATED PAYMENT OF JUNE SALES TAX LIABILITY; PENALTY FOR UNDERPAYMENT.] If a vendor is required by law to submit an estimation of June sales tax liabilities and ~~one-half~~ *75 percent* payment by a certain date, ~~and the vendor fails to remit the balance due by the date required,~~ the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of: (1) ~~45~~ *70* percent of the actual June liability, (2) ~~50~~ *75* percent of the preceding May's liability, or (3) ~~50~~ *75* percent of the average monthly liability for the previous calendar year.

Sec. 20. Minnesota Statutes 1992, section 289A.60, is amended by adding a subdivision to read:

Subd. 21. [PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER.] *In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by means of electronic funds transfer under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (d), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.*

Sec. 21. Minnesota Statutes 1992, section 294.03, subdivision 1, is amended to read:

Subdivision 1. If any company, joint stock association, copartnership, corporation, or individual required by law to pay taxes to the state on a gross earnings basis shall fail to pay such tax or gross earnings percentage within the time specified by law for the payment thereof, or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there shall be added a specific penalty equal to ~~ten~~ *five* percent of the amount so remaining unpaid *if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.* Such penalty shall be collected as part of said tax, and the amount of said tax not timely paid, together with said penalty, shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid.

Sec. 22. Minnesota Statutes 1992, section 294.03, subdivision 2, is amended to read:

Subd. 2. In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner in pursuance of law, ~~unless it is shown that such failure is not due to willful neglect,~~ there shall be added to the tax ~~in lieu of the ten percent specific penalty provided in subdivision 1: ten percent if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate~~ *a penalty of five percent of the amount of tax not timely paid.* The amount so added to any tax shall be collected at the same time and in the same manner and as a part of the tax, and the amount of said tax together with the amount so added shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid unless the tax has been paid before the discovery of the neglect, in which case the amount so added shall be collected in the same manner as the tax.

For purposes of this subdivision, the amount of any taxes required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed upon the return.

Sec. 23. Minnesota Statutes 1992, section 294.03, is amended by adding a subdivision to read:

Subd. 4. If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.

Sec. 24. Minnesota Statutes 1992, section 296.14, subdivision 1, is amended to read:

Subdivision 1. [CONTENTS; PAYMENT OF TAX; SHRINKAGE ALLOWANCE.] On or before the 23rd day of each month, every person who is required to pay gasoline tax or inspection fee on petroleum products and every distributor shall file in the office of the commissioner at St. Paul, Minnesota, a report in a manner approved by the commissioner showing the number of gallons of petroleum products received by the reporter during the preceding calendar month, and such other information as the commissioner may require. The number of gallons of gasoline shall be reported in United States standard liquid gallons (231 cubic inches), except that the commissioner may upon written application therefor and for cause shown permit the distributor to report the number of gallons of such gasoline as corrected to a 60 degree Fahrenheit temperature. If such application is granted, all gasoline covered in such application and as allowed by the commissioner must continue to be reported by the distributor on the adjusted basis for a period of one year from the date of the granting of the application. The number of gallons of petroleum products other than gasoline shall be reported as originally invoiced.

Each report shall show separately the number of gallons of aviation gasoline received by the reporter during such calendar month.

Each report shall be accompanied by remittance covering inspection fees on petroleum products and gasoline tax on gasoline received by the reporter during the preceding month; provided that in computing such tax a deduction of three percent of the quantity of gasoline received by a distributor shall be made for evaporation and loss; provided further that at the time of remittance the distributor shall submit satisfactory evidence that one-third of such three percent deduction shall have been credited or paid to dealers on quantities sold to them. The report and remittance shall be deemed to have been filed as herein required if postmarked on or before the 23rd day of the month in which payable.

Each report shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

If the aggregate remittances made during a fiscal year ending June 30 equal or exceed ~~$240,000~~ *$120,000*, all remittances in the subsequent calendar year must be made by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the remittance is due. If the date the remittance is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the remittance is due.

Sec. 25. Minnesota Statutes 1992, section 297.03, subdivision 6, is amended to read:

Subd. 6. [TAX STAMPING MACHINES.] (a) The commissioner shall require any person licensed as a distributor 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. 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. A distributor having a liability of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must remit all liabilities purchased on a credit basis in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(b) If the commissioner finds that a stamping machine is not 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.

(c) The commissioner shall annually establish the maximum amount of heat applied stamps that may be purchased each month. Notwithstanding any other provisions of this chapter, the tax due on the return will be based upon actual heat applied stamps purchased during the reporting period.

Sec. 26. Minnesota Statutes 1992, section 297.07, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN FILED WITH COMMISSIONER.] On or before the 18th day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from without the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. Every licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it. *The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.*

Sec. 27. Minnesota Statutes 1992, section 297.07, subdivision 4, is amended to read:

Subd. 4. [ACCELERATED TAX PAYMENT.] Every distributor having a liability of ~~$1,500~~ *$120,000* or more ~~in May 1987 or in May of each subsequent~~ *during a fiscal* year *ending June 30*, shall remit the June liability *for the next year* in the *following* manner ~~required by this section.~~:

~~On or~~ *(a) Two business days* before ~~June 18, 1987, or~~ June ~~18~~ *30* of ~~each subsequent~~ *the* year, the distributor shall remit the actual May liability and ~~one half~~ *75 percent* of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

(b) On or before ~~July 18, 1987, or July~~ *August* 18 of ~~each subsequent~~ *the* year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) ~~45~~ *70* percent of the actual June liability, or (b) ~~50~~ *75* percent of the preceding May's liability.

Sec. 28. Minnesota Statutes 1992, section 297.35, subdivision 1, is amended to read:

Subdivision 1. On or before the 18th day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less 1.5 percent of such liability as compensation to reimburse the distributor for expenses incurred in the administration of sections 297.31 to 297.39. *The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.*

A distributor having a liability of ~~$240,000~~ *$120,000* or more during a calendar year must remit all liabilities in the subsequent fiscal year ending June 30 by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

Sec. 29. Minnesota Statutes 1992, section 297.35, subdivision 5, is amended to read:

Subd. 5. Every distributor having a liability of ~~$1,500~~ *$120,000* or more ~~in May 1987 or in May of each subsequent~~ *during a fiscal* year *ending June 30*, shall remit the June liability *for the next year* in the *following* manner ~~required by this section.~~:

~~On or~~ *(a) Two business days* before ~~June 18, 1987, or~~ June ~~18~~ *30* of ~~each subsequent~~ *the* year, the distributor shall remit the actual May liability and ~~one half~~ *75 percent* of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

(b) On or before ~~July 18, 1987, or July~~ *August* 18 of ~~each subsequent~~ *the* year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of ~~(a) 45~~ *(1) 70* percent of the actual June liability, or ~~(b) 50~~ *(2) 75* percent of the preceding May's liability.

Sec. 30. Minnesota Statutes 1992, section 297.43, subdivision 1, is amended to read:

Subdivision 1. [PENALTY ON UNPAID TAX.] If a tax imposed by this chapter, or any part of it, is not paid within the time required for the payment, or an extension of time, or within 30 days after final determination of an appeal to the tax court relating to it, there shall be added to the tax a penalty equal to ~~three~~ *five* percent of the amount remaining unpaid if the failure is for not more than 30 days, with an additional penalty of ~~three~~ *five* percent of the amount of tax remaining unpaid during each additional 30 days or fraction thereof, not exceeding ~~24~~ *15* percent in the aggregate.

Sec. 31. Minnesota Statutes 1992, section 297.43, subdivision 2, is amended to read:

Subd. 2. [PENALTY FOR FAILURE TO FILE.] If a person fails to make and file a return within the time required under sections 297.07, 297.23, and 297.35, there shall be added to the tax ~~three~~ *five* percent of the amount of tax not paid on or before the date prescribed for payment of the tax ~~if the failure is for not more than 30 days, with an additional five percent of the amount of tax remaining unpaid for each additional 30 days or fraction thereof during which such failure continues, not exceeding 23 percent in the aggregate~~. The amount so added to any tax under this subdivision and subdivision 1 shall be collected at the same time and in the same manner and as a part of the tax and shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid, unless the tax has been paid before the discovery of the negligence, in which case the amount so added shall be collected in the same manner as the tax.

In the case of a failure to file a return 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 this subdivision 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.

Sec. 32. Minnesota Statutes 1992, section 297.43, is amended by adding a subdivision to read:

Subd. 4a. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 33. Minnesota Statutes 1992, section 297C.03, subdivision 1, is amended to read:

Subdivision 1. [MANNER AND TIME OF PAYMENT; FAILURE TO PAY.] The tax on wines and distilled spirits on which the excise tax has not been previously paid must be paid to the commissioner by persons liable for the tax on or before the 18th day of the month following the month in which the first sale is made in this state by a licensed manufacturer or wholesaler. Every person liable for the tax on wines or distilled spirits imposed by section 297C.02 must file with the commissioner on or before the 18th day of the month following first sale in this state by a licensed manufacturer or wholesaler a return in the form prescribed by the commissioner, and must keep records and render reports required by the commissioner. The commissioner may certify to the commissioner of public safety any failure to pay taxes when due as a violation of a statute relating to the sale of intoxicating liquor for possible revocation or suspension of license. *The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.*

A person liable for an excise tax of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the excise tax is due. If the date the excise tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the excise tax is due.

Sec. 34. Minnesota Statutes 1992, 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 is 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. *The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.*

A licensed brewer, importer, or distributor having an excise tax liability of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the excise tax is due. If the date the excise tax is due is not a funds transfer

business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the excise tax is due.

Sec. 35. Minnesota Statutes 1992, section 297C.05, subdivision 2, is amended to read:

Subd. 2. [ACCELERATED TAX PAYMENT.] Every person liable for tax under this chapter having a liability of ~~$1,500~~ *$120,000* or more ~~in May 1987 or in May of each subsequent~~ *during a fiscal* year *ending June 30*, shall remit the June liability *for the next year* in the *following* manner ~~required by this section.~~:

~~On or~~ *(a) Two business days* before ~~June 18, 1987, or~~ June ~~18~~ *30* of ~~each subsequent~~ *the* year, the taxpayer shall remit the actual May liability and ~~one-half~~ *75 percent* of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.

(b) On or before ~~August 18, 1987, or~~ August 18 of ~~each subsequent~~ *the* year, the taxpayer shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is hereby imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of ~~(a) 45~~ *(1) 70* percent of the actual June liability, or ~~(b) 50~~ *(2) 75* percent of the preceding May's liability.

Sec. 36. Minnesota Statutes 1992, section 297C.14, subdivision 1, is amended to read:

Subdivision 1. [PENALTY ON UNPAID TAX.] If a tax imposed by this chapter, or any part of it, is not paid within the time required for the payment, or an extension of time, or within 30 days after final determination of an appeal to the tax court relating to it, there shall be added to the tax a penalty equal to ~~three~~ *five* percent of the amount remaining unpaid if the failure is for not more than 30 days, with an additional penalty of ~~three~~ *five* percent of the amount of tax unpaid during each additional 30 days or fraction thereof, not exceeding ~~24~~ *15* percent in the aggregate.

Sec. 37. Minnesota Statutes 1992, section 297C.14, subdivision 2, is amended to read:

Subd. 2. [PENALTY FOR FAILURE TO FILE.] If a person fails to make and file a return within the time required by this chapter or an extension of time, there shall be added to the tax ~~three~~ *five* percent of the amount of tax not paid on or before the date prescribed for payment of the tax ~~if the failure is for not more than 30 days, with an additional five percent of the amount of tax remaining unpaid for each additional 30 days or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate~~. The amount so added to any tax under subdivisions 1 and 2 shall be collected at the same time and in the same manner and as a part of the tax and shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid, unless the tax has been paid before the discovery of the negligence, in which case the amount so added shall be collected in the same manner as the tax.

In the case of a failure to file a return 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 this subdivision 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.

Sec. 38. Minnesota Statutes 1992, section 297C.14, is amended by adding a subdivision to read:

Subd. 9. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 39. Minnesota Statutes 1992, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be paid directly to each eligible county and the iron range resources and rehabilitation board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February ~~8~~ *15*. Every person subject to taxes imposed by section 298.24 shall file a correct report covering the preceding year. The report must contain the information required by the commissioner. The report shall be filed on or before February 1. A remittance equal to ~~90~~ *100* percent of the total tax required to be paid hereunder shall be paid on or before February ~~15~~ *24*. On or before February 25, the county auditor shall make distribution of the payment received by the county in the manner provided by section 298.28. ~~The balance due shall be paid on or before April 15 following the production year, and shall be distributed by the county auditor as provided in section 298.28 by May 15~~. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable rules as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such rules may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment and determination of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon information possessed or obtained, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a ~~partial~~ tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the ~~partial~~ tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

~~If any portion of the taxes provided for in section 298.24 is not paid before the fifteenth day of April of the year in which due and payable, a penalty of ten percent of such unpaid portion shall immediately accrue, and thereafter one percent per month shall be added to such tax and penalty while such tax remains unpaid.~~

A person having a liability of $120,000 or more during a calendar year must remit all liabilities by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336A.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

Sec. 40. Minnesota Statutes 1992, section 299F.21, subdivision 2, is amended to read:

Subd. 2. [ANNUAL RETURNS.] (a) Every insurer required to pay a tax under this section shall make and file a statement of estimated taxes for the period covered by the installment tax payment. The statement shall be in the form prescribed by the commissioner of revenue.

(b) On or before March 1, annually every insurer subject to taxation under this section shall make an annual return for the preceding calendar year setting forth information the commissioner of revenue may reasonably require on forms prescribed by the commissioner.

(c) On March 1, the insurer shall pay any additional amount due for the preceding calendar year; if there has been an overpayment, the overpayment may be credited without interest on the estimated tax due April 15.

(d) If unpaid by this date, penalties ~~and interest~~ as provided in section 289A.60, subdivision 1, *as related to withholding and sales or use taxes,* shall be imposed.

Sec. 41. Minnesota Statutes 1992, section 299F.23, subdivision 2, is amended to read:

Subd. 2. [FAILURE TO FILE; PENALTIES ~~AND INTEREST~~.] In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner of revenue in pursuance of law there shall be added to the tax penalties ~~and interest~~ as provided in section 289A.60, subdivision 2, *as related to withholding and sales or use taxes.*

Sec. 42. Minnesota Statutes 1992, section 299F.23, is amended by adding a subdivision to read:

Subd. 5. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 43. Minnesota Statutes 1992, 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. The rate of the tax is two percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the licensed distributor 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 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 customer, to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

(2) sales to distributors licensed under this chapter;

(3) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province; and

(4) sales of promotional tickets as defined in section 349.12.

(c) Pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2, paragraph (a), are exempt from the tax imposed by this subdivision. A distributor must require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to such an organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(d) A distributor having a liability of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

Sec. 44. Minnesota Statutes 1992, section 349.217, subdivision 1, is amended to read:

Subdivision 1. [PENALTY FOR FAILURE TO PAY TAX.] If a tax is not paid within the time specified for payment, a penalty is added to the amount required to be shown as tax. The penalty is ~~three~~ *five* percent of the unpaid tax if the failure is for not more than 30 days, with an additional penalty of ~~three~~ percent of the amount of tax remaining unpaid during each additional 30 days

or fraction of 30 days during which the failure continues, not exceeding ~~24~~ *15* percent in the aggregate.

If the taxpayer has not filed a return, for purposes of this subdivision the time specified for payment is the final date a return should have been filed.

Sec. 45. Minnesota Statutes 1992, section 349.217, subdivision 2, is amended to read:

Subd. 2. [PENALTY FOR FAILURE TO MAKE AND FILE RETURN.] If a taxpayer fails to make and file a return within the time prescribed or an extension, a penalty is added to the tax. The penalty is ~~three~~ *five* percent of the amount of tax not paid on or before the date prescribed for payment of the tax ~~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 of 30 days, during which the failure continues, not exceeding 23 percent in the aggregate~~.

If a taxpayer fails to file a return 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 this subdivision must be at least the lesser of: (1) $200; or (2) 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.

Sec. 46. Minnesota Statutes 1992, section 349.217, is amended by adding a subdivision to read:

Subd. 5a. [PENALTY FOR REPEATED FAILURES TO FILE RETURNS OR PAY TAXES.] *If there is a pattern by a person of repeated failures to timely file returns or timely pay taxes, and written notice is given that a penalty will be imposed if such failures continue, a penalty of 25 percent of the amount of tax not timely paid as a result of each such subsequent failure is added to the tax. The penalty can be abated under the abatement authority in section 270.07, subdivisions 1, paragraph (e), and 6.*

Sec. 47. Minnesota Statutes 1992, section 473.843, subdivision 3, is amended to read:

Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of ~~$240,000~~ *$120,000* or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the fee is due. If the date the fee is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the fee is due.

Sec. 48. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall renumber section 290.92, subdivision 23, by adding it as a new subdivision in section 270.70.

Sec. 49. [EFFECTIVE DATE.]

Sections 1 to 6, 16 to 18, 21 to 23, 30 to 32, 36 to 38, 40 to 42, and 44 to 46 are effective for taxes and returns due on or after January 1, 1994.

For purposes of imposing the penalty in sections 3, 6, 18, 23, 32, 38, 42, and 46, violations for late filing of returns or late payment of taxes can occur prior to or after January 1, 1994.

Sections 7, 8, 13, and 14 are effective the day following final enactment.

Sections 9 and 20 are effective for taxes due on or after October 1, 1993.

Sections 10 to 12, 19, 24 to 29, 33 to 35, 39, 43, and 47 are effective for payments due in the calendar year 1994, and thereafter, based upon payments made in the fiscal year ending June 30, 1993, and thereafter; provided that section 10, as it relates to quarterly and annual sales and use tax returns, is effective for returns due for calendar quarters beginning with the first quarter of 1994, and for calendar years beginning with 1994.

ARTICLE 12

TACONITE TAX

Section 1. Minnesota Statutes 1992, section 298.227, is amended to read:

298.227 [TACONITE ECONOMIC DEVELOPMENT FUND.]

An amount equal to ~~10.4 cents per taxable ton~~ *that* distributed pursuant to each taconite producer's taxable production *and qualifying sales* under section 298.28, subdivision 9a, ~~for production years 1992 and 1993~~ shall be held by the iron range resources and rehabilitation board in a separate taconite economic development fund for each taconite producer. Money from the fund for each producer shall be released only on the written authorization of a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The district 33 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. Each producer's joint committee may authorize release of the funds held pursuant to this section only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology. Funds may be released only upon a majority vote of the representatives of the committee. Any portion of the fund which is not released by a joint committee within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. This section is effective for taxes payable in 1993 and 1994.

Sec. 2. Minnesota Statutes 1992, section 298.28, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] (a) 27.5 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school

districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c).

(b) 5.5 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) 22 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 124.918, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by paragraph (c) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in paragraph (c) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988, the increase over the amount established for 1987 shall be determined as if there had been an increase in the tax rate under section 298.24, subdivision 1, paragraph (b), according to the increase in the implicit price deflator. On July 15, 1989, 1990, and 1991, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). In 1992 and 1993, the amount distributed per ton shall be the same as that determined for distribution in 1991. In 1994, the amount distributed per ton shall be equal to the amount per ton distributed in 1991 increased in the same proportion as the increase between the fourth quarter of ~~1988~~ *1989* and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. On July 15, 1995, and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive the product of:

(i) $175 times the pupil units identified in section 124.17, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever

is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the sum of the amount certified pursuant to section 124A.03, subdivision 1g, in the previous year, plus the amount certified pursuant to section 124A.03, subdivision 1i, in the previous year, plus the referendum aid according to section 124A.03, subdivision 1h, for the current year, to the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of $175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 124A.23 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve $25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

Sec. 3. Minnesota Statutes 1992, section 298.28, subdivision 7, is amended to read:

Subd. 7. [IRON RANGE RESOURCES AND REHABILITATION BOARD.] Three cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. The amount determined in this subdivision shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1, and shall be increased in 1989, 1990, and 1991 according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amount distributed per ton shall be the same as the amount distributed per ton in 1991. In 1994, the amount distributed shall be the distribution per ton for 1991 increased in the same proportion as the increase between the fourth quarter of ~~1988~~ *1989* and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. That amount shall be increased in 1995 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. The amount distributed pursuant to this subdivision shall be expended within or for

the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor and the legislative advisory commission.

Sec. 4. Minnesota Statutes 1992, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. [TACONITE ECONOMIC DEVELOPMENT FUND.] *(a)* 10.4 cents per ton for distributions in 1993 and *15.4 cents per ton for distributions in* 1994 shall be paid to the taconite economic development fund. No distribution shall be made under this ~~subdivision~~ *paragraph* in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 1/4 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed $700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed $700,000.

Sec. 5. Minnesota Statutes 1992, section 298.28, subdivision 10, is amended to read:

Subd. 10. [INCREASE.] The amounts determined under subdivisions 6, paragraph (a), and 9 shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. Those amounts shall be increased in 1989, 1990, and 1991 in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991. In 1994, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991 increased in the same proportion as the increase between the fourth quarter of ~~1988~~ *1989* and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. Those amounts shall be increased in 1995 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraphs (b) and (c) for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987.

Sec. 6. [EFFECTIVE DATE.]

Section 4 is effective for production years beginning after December 31, 1992.

ARTICLE 13

MISCELLANEOUS

Section 1. Minnesota Statutes 1992, section 243.23, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] Notwithstanding sections 241.26, subdivision 5, and 243.24, subdivision 1, the commissioner may promulgate rules for the disbursement of funds earned under subdivision 1, or other funds in an inmate account, and section 243.88, subdivision 2, for the support of families and dependent relatives of the respective inmates, for the payment of court-ordered restitution, contribution to any programs established by law to aid victims of crime provided that the contribution shall not be more than 20 percent of an inmate's gross wages, for the payment of restitution to the commissioner ordered by prison disciplinary hearing officers for damage to property caused by an inmate's conduct, and for the discharge of any legal obligations arising out of litigation under this subdivision. *The commissioner may authorize the payment of court-ordered restitution from an inmate's wages when the restitution was ordered by the court as a sanction for the conviction of an offense which is not the offense of commitment, including offenses which occurred prior to the offense for which the inmate was committed to the commissioner.* An inmate of an adult correctional facility under the control of the commissioner is subject to actions for the enforcement of support obligations and reimbursement of any public assistance rendered the dependent family and relatives. The commissioner may conditionally release an inmate who is a party to an action under this subdivision and provide for the inmate's detention in a local detention facility convenient to the place of the hearing when the inmate is not engaged in preparation and defense.

Sec. 2. Minnesota Statutes 1992, section 270.07, subdivision 3, is amended to read:

Subd. 3. [ADDITIONAL POWERS OF COMMISSIONER.] Notwithstanding any other provision of law the commissioner of revenue may,

(a) based upon the administrative costs of processing, determine minimum standards for the determination of additional tax for which an order shall be issued, and

(b) based upon collection costs as compared to the amount of tax involved, determine minimum standards of collection, and

(c) based upon the administrative costs of processing, determine the minimum amount of refunds for which an order shall be issued and refund made where no claim therefor has been filed, and

(d) cancel any amounts below these minimum standards determined under (a) and (b) hereof, and

(e) based upon the inability of a taxpayer to pay a delinquent tax liability, abate the liability if the taxpayer agrees to perform uncompensated public service work for a state agency, a political subdivision or public corporation of this state, or a nonprofit educational, medical, or social service agency. The department of corrections shall administer the work program. No benefits under chapter 176 or 268 shall be available, but a claim authorized under section 3.739 may be made by the taxpayer. The state may not enter into any agreement that has the purpose of or results in the displacement of public employees by a delinquent taxpayer under this section. The state must certify to the appropriate bargaining agent or employees, as applicable, that the work performed by a delinquent taxpayer will not result in the displacement of currently employed workers or layoff from a substantially equivalent position, including partial displacement such as reduction in hours of nonovertime

work, wages, or other employment benefits. The program authorized under this paragraph terminates June 30, ~~1993~~ *1998*.

Sec. 3. Minnesota Statutes 1992, section 270.66, is amended by adding a subdivision to read:

Subd. 4. [POLITICAL SUBDIVISION DEBTS.] *(a) As used in this subdivision, "political subdivision" means counties and home rule charter or statutory cities, and "debts" means a legal obligation to pay a fixed amount of money, which equals or exceeds $100 and which is due and payable to the claimant political subdivision.*

(b) If one political subdivision owes a debt to another political subdivision, and the debt has not been paid within six months of the date when payment was due, the creditor political subdivision may notify the commissioner of revenue of the debt, and shall provide the commissioner with information sufficient to verify the claim. If the commissioner has reason to believe that the claim is valid, and the debt has not been paid, the commissioner shall initiate setoff procedures under this subdivision.

(c) Within ten days of receipt of the notification from the creditor political subdivision, the commissioner shall send a written notice to the debtor political subdivision, advising it of the nature and amount of the claim. This written notice shall advise the debtor of the creditor political subdivision's intention to request setoff of the refund against the debt.

The notice will also advise the debtor that the debt can be setoff against a state aid payment, and will advise the debtor of the right to contest the validity of the claim at a hearing. The debtor must assert this right by written request to the commissioner of revenue, which request the commissioner must receive within 45 days of the mailing date of the notice.

(d) If the commissioner receives written notice of a debtor political subdivision's intention to contest at hearing the claim upon which the intended setoff is based, the commissioner shall initiate a hearing according to contested case procedures established in the state administrative procedure act not later than 30 days after receipt of the debtor's request for a hearing.

(e) If the debtor political subdivision does not object to the claim, or does not prevail in an objection to the claim or at a hearing on the claim, the commissioner of revenue shall deduct the amount of the debt from the next payment scheduled to be made to the debtor under section 273.1398 or chapter 477A. The commissioner shall remit the amount deducted to the claimant political subdivision.

Sec. 4. Minnesota Statutes 1992, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund or political contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. The commissioner

shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse.

Sec. 5. Minnesota Statutes 1992, section 270A.10, is amended to read:

270A.10 [PRIORITY OF CLAIMS.]

If two or more debts, in a total amount exceeding the debtor's refund, are submitted for setoff, the priority of payment shall be as follows: First, any delinquent tax obligations of the debtor which are owed to the department shall be satisfied. Secondly, the refund shall be applied to debts for child support based on the order in time in which the commissioner received the debts. Thirdly, *the refund shall be applied to payment of restitution obligations. Fourthly,* the refund shall be applied to the remaining debts based on the order in time in which the commissioner received the debts.

Sec. 6. Minnesota Statutes 1992, section 270B.01, subdivision 8, is amended to read:

Subd. 8. [MINNESOTA TAX LAWS.] For purposes of this chapter only, "Minnesota tax laws" means the taxes administered by or paid to the commissioner under chapters 289A *(except taxes imposed under sections 298.01, 298.015, and 298.24)*, 290, 290A, 291, and 297A, and includes any laws for the assessment, collection, and enforcement of those taxes.

Sec. 7. Minnesota Statutes 1992, 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, 1991, ~~unless, during that period, a Minnesota homestead application is filed for property in which the individual has an interest~~ *if the qualified individual notifies the county within three months of moving out of the county that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual*; 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.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

Sec. 8. Minnesota Statutes 1992, 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) of the Internal Revenue Code, 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 regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(b) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located; 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. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed; 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; and

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729.

Sec. 9. Minnesota Statutes 1992, 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; 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; *or Indian tribal governments;*

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code;

(5) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(6) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(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;

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

(10) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(11) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(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, paragraph (g).

Sec. 10. Minnesota Statutes 1992, section 290.0921, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.] "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) ~~For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification~~

~~made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).~~

~~(2)~~ The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

~~(3)~~ *(2)* The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

~~(4)~~ *(3)* The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

~~(5)~~ *(4)* The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

~~(6)~~ *(5)* The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to the subtraction under section 290.01, subdivision 19d, clause (4).

~~(7)~~ *(6)* The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(8)~~ *(7)* The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(9)~~ *(8)* For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

~~(10)~~ *(9)* For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(11)~~ *(10)* For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

Sec. 11. Minnesota Statutes 1992, section 298.75, subdivision 4, is amended to read:

Subd. 4. If ~~any~~ *the county auditor has not received the report by the 15th day after the last day of each calendar quarter from the* operator or importer ~~fails to make the report~~ *as* required by subdivision 3 or ~~files~~ *has received* an erroneous report, the county auditor shall ~~determine~~ *estimate* the amount of tax due and notify the operator or importer by registered mail of the amount

of tax so ~~determined~~ *estimated within the next 14 days*. An operator or importer may, within 30 days from the date of mailing the notice, file in the office of the county auditor a written statement of objections to the amount of taxes determined to be due. The statement of objections shall be deemed to be a petition within the meaning of chapter 278, and shall be governed by sections 278.02 to 278.13.

Sec. 12. Minnesota Statutes 1992, section 298.75, subdivision 5, is amended to read:

Subd. 5. Failure to file the report *and submit payment* shall result in a penalty of $5 for each of the first 30 days, beginning on the ~~14th~~ *15th* day after the ~~date when the county auditor has sent notice to the operator or importer as provided in subdivision 4, during which the report is overdue and no statement of objection has been filed. For each subsequent day~~ *last day of each calendar quarter,* during which the report *and payment* is overdue and no statement of objection has been filed *as provided in subdivision 4, and* a penalty of $10 *for each subsequent day* shall be assessed against the operator or importer who is required to file the report. The penalties imposed by this subdivision shall be collected as part of the tax *and credited to the county revenue fund*. If neither the report nor a statement of objection has been filed after more than 60 days have elapsed from the date when the notice was sent, the operator or importer who is required to file the report is guilty of a misdemeanor.

Sec. 13. Minnesota Statutes 1992, section 469.169, is amended by adding a subdivision to read:

Subd. 9. [ADDITIONAL BORDER CITY ALLOCATIONS.] *In addition to tax reductions authorized in subdivisions 7 and 8, the commissioner may allocate $1,100,000 for tax reduction to border city enterprise zones in cities located on the western border of the state, and $300,000 to the border city enterprise zone in the city of Duluth. The commissioner shall make allocations to zones in cities on the western border by evaluating which cities' applications for allocations relate to business prospects that have the greatest positive economic impact. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation.*

Sec. 14. Minnesota Statutes 1992, section 471.15, is amended to read:

471.15 [RECREATIONAL FACILITIES.]

Any home rule charter or statutory city or any town, county, school district, or any board thereof, or any incorporated post of the American Legion or any other incorporated veterans' organization, may expend not to exceed $800 in any one year, for the purchase of awards and trophies and may operate a program of public recreation and playgrounds; acquire, equip, and maintain land, buildings, or other recreational facilities, including an outdoor or indoor swimming pool; and expend funds for the operation of such program pursuant to the provisions of sections 471.15 to 471.19. The city, town, county or school district may issue bonds pursuant to chapter 475 for the purpose of carrying out the powers granted by this section. The city, town, county or

school district may operate the program and facilities directly or establish one or more recreation boards to operate all or various parts of them. *A home rule charter or statutory city, town, county, or school district may conduct no more than two raffles each year, as defined in section 349.12, subdivision 33, without complying with sections 349.11 to 349.213, for the purpose of carrying out the powers granted by this section.*

Sec. 15. [NOTIFICATION BY COUNTY AUDITOR.]

The county auditor shall notify each operator in the county who filed a report in the previous calendar year under Minnesota Statutes, section 298.75, of the changes made in sections 11 and 12 relating to the imposition of the penalty for late payment.

Sec. 16. [UNEMPLOYMENT TAX ADMINISTRATION; STUDY.]

The commissioner of revenue and the commissioner of jobs and training shall study the feasibility of transferring the responsibility for collection of unemployment taxes from the department of jobs and training to the department of revenue. The commissioners must present their report to the legislature by February 1, 1994.

Sec. 17. [EFFECTIVE DATE.]

Section 3 is effective for debts incurred after July 31, 1993.

Section 4 is effective for property tax refunds paid after December 31, 1992.

Section 6 is effective retroactively to April 25, 1992.

Sections 7 to 9 are effective for tax years beginning after December 31, 1992.

Section 10 is effective for tax years beginning after December 31, 1993.

Sections 11 and 12 are effective for reports due after July 1, 1993.

ARTICLE 14

UNFAIR CIGARETTE SALES ACT

Section 1. Minnesota Statutes 1992, section 325D.33, is amended by adding a subdivision to read:

Subd. 8. [PENALTIES.] *(a) A retailer who sells cigarettes for less than a legal retail price may be assessed a penalty in the full amount of three times the difference between the actual selling price and a legal price under sections 325D.30 to 325D.42. This penalty may be collected under the authorities given the commissioner in chapters 270 and 297, and the penalty shall bear interest at the rate prescribed by section 270.75, subdivision 5.*

(b) A wholesaler who sells cigarettes for less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual selling price and the legal price under sections 325D.30 to 325D.42. This penalty may be collected under the authorities given the commissioner in chapters 270 and 297, and the penalty shall bear interest at the rate prescribed by section 270.75, subdivision 5.

(c) A retailer who engages in a plan, scheme, or device with a wholesaler to purchase cigarettes at a price which the retailer knows to be less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual purchase price and the legal price under sections 325D.30 to 325D.42. A retailer that coerces or requires a wholesaler to sell cigarettes at a price which the retailer knows to be less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual purchase price and the legal price. These penalties may be collected under the authorities given the commissioner in chapters 270 and 297, and the penalties shall bear interest at the rate prescribed by section 270.75, subdivision 5.

For purposes of this subdivision, a retailer is presumed to know that a purchase price is less than a legal price if any of the following have been done:

(1) the commissioner has published the legal price in the Minnesota State Register;

(2) the commissioner has provided written notice to the retailer of the legal price;

(3) the commissioner has provided written notice to the retailer that the retailer is purchasing cigarettes for less than a legal price;

(4) the commissioner has issued a written order to the retailer to cease and desist from purchases of cigarettes for less than a legal price; or

(5) there is evidence that the retailer has knowledge of, or has participated in, efforts to disguise or misrepresent the actual purchase price as equal to or more than a legal price, when it is actually less than a legal price.

In any proceeding arising under this subdivision, the commissioner shall have the burden of providing by a reasonable preponderance of the evidence that the facts necessary to establish the presumption set forth in this section exist, or that the retailer had knowledge that a purchase price was less than the legal price.

(d) The commissioner may not assess penalties against any wholesaler, retailer, or combination of wholesaler and retailer, which are greater than three times the difference between the actual price and the legal price under sections 325D.30 to 325D.42.

Sec. 2. Minnesota Statutes 1992, section 325D.37, subdivision 3, is amended to read:

Subd. 3. Before selling cigarettes at a price set in good faith to meet competition, a wholesaler shall ~~contact~~ *notify* the commissioner ~~to verify that a competitor has met the requirements of section 325D.32, subdivision 10, or that a competitor has contacted the commissioner under this subdivision in response to a wholesaler who has met the requirements of section 325D.32, subdivision 10~~ *in writing that it intends to meet a competitor's legal price. A wholesaler filing the notice shall be allowed to meet the competitor's price unless within seven days of receipt of the notice, the commissioner informs the wholesaler that the competitor's price is an illegal price.*

Sec. 3. [325D.371] [PUBLICATION OF CIGARETTE PRICES.]

The commissioner shall publish in the State Register the presumed legal prices of all cigarettes as calculated pursuant to section 325D.32, subdivision 10. The prices must be published within one month of each recomputation, but not less than once each year.

Sec. 4. [REPEALER.]

Minnesota Statutes 1992, section 325D.33, subdivision 7, is repealed.

Sec. 5. [EFFECTIVE DATES.]

Sections 2 and 3 are effective August 1, 1993. Section 1, paragraphs (a), (b), and (d), are effective the day following final enactment. Section 1, paragraph (c), is effective May 29, 1987, except that in any proceeding under paragraph (c) that arises out of purchases that occurred prior to August 1, 1993, the penalties shall not exceed the difference between the actual purchase price and the legal price. Section 4 is effective May 29, 1987."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; modifying property tax provisions relating to procedures, valuation, classifications, exemptions, notices, and assessors; adjusting formulas and changing the source of payments of state aids to local governments; providing for the establishment and operation of special service districts in the cities of Minneapolis and Duluth; providing a means of collection of special assessments in the city of St. Paul; authorizing establishment of an ambulance district; modifying definitions in the property tax refund law and providing a source of funding for the refunds; modifying provisions governing the establishment and operation of tax increment financing districts; establishing a process by which local governments may obtain waivers of state rules and laws establishing procedures; establishing a board of government innovation and cooperation and authorizing it to provide grants to encourage cooperation and innovation by local governments; establishing a comprehensive choice housing program; imposing a tax on contaminated property and appropriating a portion of the proceeds to a pollution abatement development fund; establishing a pollution abatement loan and grant program; conforming with changes in the federal income tax law; limiting deductions for compensation paid to employees; clarifying an income tax apportionment formula; modifying sales tax exemption and collection provisions; imposing a tax on sports bookmaking; amending tax collection and compliance provisions; modifying taconite production tax provisions, and increasing the distribution of the proceeds to the taconite economic development fund; providing additional allocations to border city enterprise zones; providing penalties; appropriating money; amending Minnesota Statutes 1992, sections 16A.712; 60A.15, subdivisions 2a, 9a, and by adding a subdivision; 60A.198, subdivision 3; 60A.199, subdivision 4, and by adding a subdivision; 115B.22, subdivision 7; 124.2131, subdivision 1; 179A.04, subdivision 3; 204D.19, by adding a subdivision; 205.10, by adding a subdivision; 205A.05, subdivision 1; 239.785; 243.23, subdivision 3; 270.06; 270.07, subdivision 3; 270.41; 270.66, by adding a subdivision; 270.70, subdivision 1; 270A.03, subdivision 7; 270A.10; 270B.01, subdivision 8; 270B.08, subdivisions 1 and 2; 270B.12, by adding a subdivision; 272.01, subdivision 3; 272.02, subdivisions 1 and 4; 272.115, subdivisions 1 and 4; 273.061, subdivisions 1 and 8; 273.11, subdivisions 1, 5, 6a, 13, and by adding subdivisions; 273.121; 273.124, subdivisions 1, 9, and by adding subdivisions; 273.13, subdivisions 23, 24, 25, and 33; 273.1318, subdivision 1; 273.1398, subdivisions 1 and 7;

273.1399, subdivision 1; 275.065, subdivisions 3, 5a, and 6; 276.02; 276.04, subdivision 2; 279.025; 279.37, subdivision 1a; 282.08; 289A.11, subdivision 1; 289A.18, subdivision 4; 289A.20, subdivisions 2, and 4; 289A.26, subdivision 7; 289A.36, subdivisions 3 and 7; 289A.40, by adding a subdivision; 289A.56, subdivision 3; 289A.60, subdivisions 1, 2, 15, and by adding subdivisions; 289A.63, subdivision 3; 290.01, subdivisions 7, 19, 19a, and 19c; 290.0921, subdivision 3; 290.191, subdivision 4; 290A.03, subdivisions 3, 7, and 8; 290A.23; 294.03, subdivisions 1, 2, and by adding a subdivision; 296.02, subdivision 8; 296.14, subdivision 1; 297.03, subdivision 6; 297.07, subdivisions 1 and 4; 297.35, subdivisions 1 and 5; 297.43, subdivisions 1, 2, and by adding a subdivision; 297A.01, subdivisions 3, 6, and 16; 297A.04; 297A.041; 297A.06; 297A.065; 297A.07, subdivisions 1, 2, and 3; 297A.10; 297A.11; 297A.135; 297A.14, subdivision 1; 297A.15, subdivisions 1 and 4; 297A.21, subdivisions 3, 4, 5, and 6; 297A.25, subdivisions 3, 11, 16, 34, 41, and by adding subdivisions; 297A.255, subdivisions 2 and 3; 297A.44, subdivision 4; 297C.03, subdivision 1; 297C.04; 297C.05, subdivision 2; 297C.14, subdivisions 1, 2, and by adding a subdivision; 298.227; 298.27; 298.28, subdivisions 4, 7, 9a, and 10; 298.75, subdivisions 4 and 5; 299F.21, subdivision 2; 299F.23, subdivision 2, and by adding a subdivision; 325D.33, by adding a subdivision; 325D.37, subdivision 3; 349.212, subdivision 4; 349.217, subdivisions 1, 2, and by adding a subdivision; 375.192, subdivision 2; 429.061, by adding a subdivision; 465.80, subdivisions 1, 2, 4, and 5; 465.81, subdivision 2; 465.82, subdivision 1; 465.83; 465.87, subdivision 1, and by adding a subdivision; 469.012, subdivision 1; 469.040, subdivision 3; 469.169, by adding a subdivision; 469.174, subdivision 9, and by adding subdivisions; 469.175, subdivisions 1, 3, and by adding subdivisions; 469.176, subdivisions 1, 4, 4f, 4g, and by adding a subdivision; 469.1763, subdivision 2, and by adding a subdivision; 469.177, subdivision 1; 469.1831, subdivision 4; 471.15; 473.843, subdivision 3; 477A.03, subdivision 1; Laws 1985, chapter 302, sections 1, subdivision 3; 2; and 4; Laws 1992, chapter 511, article 8, section 37, subdivision 3; and Laws 1993, chapter 11, section 3; proposing coding for new law in Minnesota Statutes, chapters 16A; 116J; 270; 297A; 325D; 349; 465; 469; 473; repealing Minnesota Statutes 1992, sections 115B.24, subdivision 10; 272.115, subdivision 1a; 273.124, subdivision 16; and 325D.33, subdivision 7."

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

SECOND READING OF SENATE BILLS

S.F. Nos. 521, 1403 and 408 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. No. 1377 was read the second time.

MOTIONS AND RESOLUTIONS

Ms. Berglin moved that the name of Mr. Merriam be added as a co-author to S.F. No. 167. The motion prevailed.

Mr. Moe, R.D. moved that H.F. No. 1735 be taken from the table. The motion prevailed.

H.F. No. 1735: A bill for an act relating to the financing and operation of government in Minnesota; revising the operation of the local government trust fund; modifying the administration, computation, collection, and enforcement of taxes; imposing taxes; changing tax rates, bases, credits, exemptions, withholding, and payments; modifying proposed tax notice and hearing requirements; modifying aids to local governments; modifying provisions relating to property tax valuations, classifications, and levies; changing tax increment financing provisions; changing the amount in the budget and cash flow reserve account; authorizing imposition of local taxes; updating references to the Internal Revenue Code; changing certain bonding and local government finance provisions; changing definitions; making technical corrections and clarifications; providing for grants and loans in certain cases; enacting provisions relating to certain cities, counties, and special taxing districts; prescribing penalties; appropriating money; amending Minnesota Statutes 1992, sections 16A.15, subdivision 6; 16A.1541; 17A.03, subdivision 5; 31.51, subdivision 9; 31A.02, subdivisions 4 and 10; 31B.02, subdivision 4; 35.821, subdivision 4; 60A.15, subdivisions 2a, 9a, and by adding a subdivision; 60A.198, subdivision 3; 60A.199, subdivision 4, and by adding a subdivision; 97A.061, subdivisions 2 and 3; 103B.635, subdivision 2, as amended; 115B.22, subdivision 7; 124.2131, subdivision 1; 134.001, by adding a subdivision; 134.351, subdivision 4; 239.785; 256E.06, subdivision 12; 270.06; 270.07, subdivision 3; 270.41; 270.70, subdivision 1; 270A.10; 270B.01, subdivision 8; 270B.12, by adding a subdivision; 270B.14, subdivision 8; 272.02, subdivisions 1 and 4; 272.115, subdivisions 1 and 4; 273.061, subdivisions 1 and 8; 273.11, subdivisions 1, 6a, 13, and by adding subdivisions; 273.112, by adding a subdivision; 273.121; 273.124, subdivisions 1, 9, 13, and by adding subdivisions; 273.13, subdivisions 23, 24, 25, and 33; 273.135, subdivision 2; 273.1398, subdivisions 1, 2, and by adding subdivisions; 273.33, subdivision 2; 275.065, subdivisions 1, 3, 5a, 6, and by adding a subdivision; 275.07, subdivision 1, and by adding a subdivision; 275.08, subdivision 1d; 276.02; 276.04, subdivision 2; 279.37, subdivision 1a; 289A.09, by adding a subdivision; 289A.18, subdivision 4; 289A.20, subdivisions 2 and 4; 289A.26, subdivision 7; 289A.36, subdivision 3; 289A.50, subdivision 5; 289A.56, subdivision 3; 289A.60, subdivisions 1, 2, 15, and by adding subdivisions; 290.01, subdivisions 7, 19, 19a, and 19c; 290.06, subdivisions 2c and 2d; 290.0671, subdivision 1; 290.091, subdivisions 1, 2, and 6; 290.0921, subdivision 3; 290A.03, subdivisions 3, 7, and 8; 290A.04, subdivision 2h, and by adding a subdivision; 290A.23; 294.03, subdivisions 1, 2, and by adding a subdivision; 296.01, by adding a subdivision; 296.02, subdivision 8; 296.03; 296.14, subdivision 1; 296.18, subdivision 1; 297.03, subdivision 6; 297.07, subdivisions 1 and 4; 297.35, subdivisions 1 and 5; 297.43, subdivisions 1, 2, and by adding a subdivision; 297A.01, subdivisions 6, 13, and 15; 297A.136; 297A.14, subdivision 1; 297A.25, subdivisions 3, 7, 11, 16, 34, 41, and by adding a subdivision; 297C.03, subdivision 1; 297C.04; 297C.05, subdivision 2; 297C.14, subdivisions 1, 2, and by adding a subdivision; 298.75, subdivisions 4 and 5; 299F.21, subdivision 2; 299F.23, subdivision 2, and by adding a subdivision; 319A.11, subdivision 1; 349.212, subdivision 4; 349.217, subdivisions 1, 2, and by adding a subdivision; 375.192, subdivision 2; 429.061, subdivision 1; 469.012, subdivision 1; 469.174, subdivisions 19 and 20; 469.175, by adding a subdivision; 469.176, subdivisions 1 and 4e; 469.1763, by adding a subdivision; 469.177, subdivisions 1 and 8; 469.1831, subdivision 4; 473.13, subdivision 1; 473.1623, subdivision 3; 473.167, subdivision 4; 473.249, subdivision 2; 473.843, subdivision 3; 477A.011, subdivisions 1a, 20, and by

adding subdivisions; 477A.013, by adding subdivisions; 477A.03, subdivision 1; and 477A.14; Laws 1953, chapter 387, section 1; Laws 1969, chapter 561, section 1; Laws 1971, chapters 373, sections 1 and 2; 455, section 1; Laws 1985, chapter 302, sections 1, subdivision 3; 2, subdivision 1; and 4; proposing coding for new law in Minnesota Statutes, chapters 17; 116; 134; 270; 272; 273; 295; 297A; 383A; and 469; repealing Minnesota Statutes 1992, sections 115B.24, subdivision 10; 272.115, subdivision 1a; 273.1398, subdivision 5; 275.07, subdivision 3; 297A.01, subdivision 16; 297A.25, subdivision 42; 297B.09, subdivision 3; 477A.011, subdivisions 1b, 3a, 15, 16, 17, 18, 22, 23, 25, and 26; and 477A.013, subdivisions 2, 3, and 5; Laws 1953, chapter 387, section 2; Laws 1963, chapter 603, section 1; and Laws 1969, chapter 592, sections 1 to 3.

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. 1735 and that the rules of the Senate be so far suspended as to give H.F. No. 1735 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 1735 was read the second time.

Mr. Johnson, D.J. moved to amend H.F. No. 1735 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 1735, and insert the language after the enacting clause, and the title, of S.F. No. 408, the first engrossment.

The motion prevailed. So the amendment was adopted.

Mr. Oliver moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 190, after line 36, insert:

"Sec. 41. [CARVER COUNTY; BUILDING MATERIALS FOR CORRECTIONAL FACILITY.]

Subdivision 1. [EXEMPTION.] *Notwithstanding any other law to the contrary, the gross receipts from the sale of construction materials and supplies after May 31, 1992, for construction of that part of a correctional facility in Carver county that is mandated by state or federal law, rule, or regulation are exempt. The exemption applies regardless of whether the materials and supplies are purchased by the county or by a contractor, subcontractor, or builder under a contract with the county.*

Subd. 2. [REFUND.] *If the materials are purchased by a contractor, subcontractor, or builder as part of a lump sum contract with a price covering both labor and materials for use in the project, the tax must be imposed and collected as if the sale were taxable, and the rates under Minnesota Statutes, sections 297A.02, subdivision 1, and 297A.021, applied. Upon application of the county in the manner prescribed by the commissioner of revenue, a refund equal to the taxes paid by the contractor, subcontractor, or builder must be paid to the county. The contractor, subcontractor, or builder must furnish to the county a statement of the cost of the construction materials and supplies*

and the sales taxes paid on them. The amount required to make the refunds is appropriated to the commissioner of revenue.

Subd. 3. [LOCAL APPROVAL.] *This section is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of Carver county.*"

Renumber the sections of article 10 in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate for the balance of the proceedings on H.F. No. 1735. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Oliver amendment. The motion did not prevail. So the amendment was not adopted.

Mr. Berg moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 243 and 244, delete section 14

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 34 and nays 31, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Laidig	Mondale	Ranum
Benson, D.D.	Hottinger	Langseth	Murphy	Reichgott
Benson, J.E.	Janezich	Larson	Neuville	Spear
Berg	Johnson, D.E.	Lessard	Oliver	Stevens
Berglin	Johnston	Marty	Olson	Vickerman
Chmielewski	Kiscaden	McGowan	Pariseau	Wiener
Day	Knutson	Merriam	Price	

Those who voted in the negative were:

Adkins	Dille	Kroening	Pappas	Samuelson
Beckman	Finn	Lesewski	Piper	Solon
Belanger	Flynn	Luther	Pogemiller	Stumpf
Bertram	Hanson	Metzen	Riveness	
Betzold	Johnson, D.J.	Moe, R.D.	Robertson	
Chandler	Johnson, J.B.	Morse	Runbeck	
Cohen	Krentz	Novak	Sams	

The motion prevailed. So the amendment was adopted.

Mr. Johnson, D.J. moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 85, lines 13 and 14, delete the new language and reinstate the stricken language

Page 85, lines 18 and 19, delete the new language and reinstate the stricken language

Page 85, line 21, delete the new language and reinstate the stricken language

Page 85, delete lines 22 and 23

Page 129, line 31, after "*housing*" insert "*and manufactured housing*"

Page 232, after line 19, insert:

"Section 1. Minnesota Statutes 1992, 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 shall transfer from the budget and cash flow reserve account the amount necessary to bring the total amount, including any existing balance in the account on July 1, ~~1992~~ *1993*, to ~~$240,000,000~~ *$390,000,000*. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541."

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

Mrs. Pariseau requested division of the amendment as follows:

First portion:

Page 85, lines 13 and 14, delete the new language and reinstate the stricken language

Page 85, lines 18 and 19, delete the new language and reinstate the stricken language

Page 85, line 21, delete the new language and reinstate the stricken language

Page 85, delete lines 22 and 23

Page 129, line 31, after "*housing*" insert "*and manufactured housing*"

Second portion:

Page 232, after line 19, insert:

"Section 1. Minnesota Statutes 1992, 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 shall transfer from the budget and cash flow reserve account the amount necessary to bring the total amount, including any existing balance in the account on July 1, ~~1992~~ *1993*, to ~~$240,000,000~~ *$390,000,000*. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541."

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

The question was taken on the first portion of the Johnson, D.J. amendment. The motion prevailed. So the first portion of the amendment was adopted.

The question was taken on the second portion of the Johnson, D.J. amendment. The motion prevailed. So the second portion of the amendment was adopted.

Mr. Benson, D.D. moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 64, after line 3, insert:

"Sec. 40. [465.791] [RESERVE FUNDS.]

Beginning in calendar year 1994, no home rule charter or statutory city, county, or special taxing district may maintain a reserve fund, other than a fund intended to pay debt service on outstanding obligations, that exceeds 3.5 percent of its total annual operating budget."

Renumber the sections of article 1 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 4 and nays 59, as follows:

Messrs. Belanger; Benson, D.D.; Ms. Berglin and Mr. Oliver voted in the affirmative.

Those who voted in the negative were:

Adkins	Finn	Knutson	Mondale	Riveness
Anderson	Flynn	Krentz	Morse	Robertson
Beckman	Frederickson	Laidig	Murphy	Runbeck
Benson, J.E.	Hanson	Langseth	Neuville	Sams
Berg	Hottinger	Larson	Novak	Samuelson
Bertram	Janezich	Lesewski	Pappas	Solon
Betzold	Johnson, D.E.	Lessard	Pariseau	Spear
Chandler	Johnson, D.J.	Luther	Piper	Stevens
Chmielewski	Johnson, J.B.	Marty	Pogemiller	Stumpf
Cohen	Johnston	Merriam	Price	Vickerman
Day	Kelly	Metzen	Ranum	Wiener
Dille	Kiscaden	Moe, R.D.	Reichgott	

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

Mr. Oliver moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 128 to 135, delete article 6

Renumber the articles 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 31 and nays 32, as follows:

Those who voted in the affirmative were:

Adkins	Day	Langseth	Murphy	Stevens
Beckman	Hanson	Larson	Neuville	Vickerman
Belanger	Johnson, D.E.	Lesewski	Oliver	Wiener
Benson, D.D.	Johnston	Lessard	Olson	
Benson, J.E.	Kiscaden	McGowan	Pariseau	
Berg	Knutson	Merriam	Price	
Bertram	Laidig	Metzen	Robertson	

Those who voted in the negative were:

Anderson	Flynn	Kroening	Pappas	Samuelson
Berglin	Hottinger	Luther	Piper	Solon
Betzold	Janezich	Marty	Pogemiller	Spear
Chandler	Johnson, D.J.	Moe, R.D.	Ranum	Stumpf
Chmielewski	Johnson, J.B.	Mondale	Reichgott	
Cohen	Kelly	Morse	Riveness	
Finn	Krentz	Novak	Runbeck	

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

Mr. Price moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 50, after line 23, insert:

"Sec. 30. [275.055] [COUNTY TAX LEVIES; APPORTIONMENT FOR SERVICES.]

Subdivision 1. [CITIES; TOWNS; REQUEST FOR SERVICES REVIEW.] *The governing body of a home rule or statutory city may by resolution, and a town may by an affirmative vote of the electors at an annual or special town meeting or by a resolution of the town board, petition the county or counties in which the city or town is located for review and adjustment of the county levy imposed on property located in the city or town, if the city or town finds in writing that both of the following conditions are met:*

(1) the county services for which a county tax levy is imposed are not provided within the city or town or are not available to residents of the city or town; and

(2) the city or town levies taxes for and provides essentially the same or similar services to residents of the city or town.

Subd. 2. [PETITION.] *(a) If the city or town elects to petition a county or counties for a review of its levy, the city or town shall file the petition with the auditor of the affected county or counties in which the city or town is located,*

together with: (1) its finding that the conditions in subdivision 1 are met; (2) a detailed description of the county services and the city or town levies and services that meet the conditions in subdivision 1; and (3) any documents and facts supporting the findings of the city or town. The petition must specify the amount of any tax levy adjustment sought by the city or town. The county auditor shall provide the city or town with any information needed by the city to prepare the petition.

(b) The petition must be filed with the county auditor by June 30 of the year taxes are levied to be effective for taxes payable the following year.

Subd. 3. [HEARING; PUBLICATION.] *On or before September 1, the county shall hold a public hearing on the petition at a regular or special meeting of the county board. The county may hold one hearing to discuss the petitions of all cities and towns that have submitted them. The hearing shall be held after the county publishes notice for two successive weeks under sections 645.11 and 645.13 in the regular issue of a qualified newspaper of general circulation within the county, including the affected cities or towns. The notice must state (1) the purpose of the hearing; (2) the service or services at issue; (3) the amounts of the county tax levy and city or town tax levy for the services for taxes payable in the current year; and (4) the amount of the county tax levy adjustment requested by the city or town. The notice must state that officials of the city or town and members of the public will be allowed to testify. A single consolidated notice of all petitions may be published, provided that levy and services information is stated separately for each city or town. The county shall pay the cost of preparation of the notice. The costs of publication shall be paid one-half by the county and one-half in equal shares by the cities and towns covered by the notice.*

At the hearing, the city or town shall be represented by elected or appointed officials as determined by the city or town who shall present the petition of the city or town and respond to questions of the public, the county board, and county officials.

The county board shall hear testimony from representatives of the city and town and from the public, and shall discuss the petition. If it determines that the conditions in subdivision 1 have been met, it may adjust or eliminate the county levy imposed on property within the city or town that is attributable to the county services that are provided by the city or town. The county board may determine to continue the levy without adjustment. The board shall state the reasons for its determination. The decision and any levy adjustment may be made at a later public or special meeting of the county board, if the meeting time and place are announced at the meeting in which the petition is heard. The decision of the county board is final.

Subd. 4. [LEVY ADJUSTMENT.] *If the county board adjusts the levy with respect to a city or town, the county board shall notify the city or town and the county auditor by September 10. The county auditor shall apportion the levy as adjusted by the county between the cities, towns, and unorganized territory within the county as adopted by the county board for purposes of the proposed levy and notice under section 275.065. The decision of the county board shall be incorporated as part of the budget and levy adoption under section 275.065, subdivision 6.*"

Renumber the sections of article 1 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 14 and nays 47, as follows:

Those who voted in the affirmative were:

Chandler	Johnson, D.J.	Murphy	Price	Solon
Cohen	Knutson	Olson	Riveness	Wiener
Flynn	Morse	Piper	Robertson	

Those who voted in the negative were:

Adkins	Day	Kiscaden	McGowan	Pogemiller
Anderson	Dille	Krentz	Merriam	Ranum
Beckman	Finn	Kroening	Metzen	Runbeck
Belanger	Frederickson	Laidig	Moe, R.D.	Sams
Benson, D.D.	Hottinger	Langseth	Mondale	Stevens
Benson, J.E.	Janezich	Larson	Neuville	Stumpf
Berglin	Johnson, D.E.	Lesewski	Novak	Vickerman
Bertram	Johnson, J.B.	Lessard	Oliver	
Betzold	Johnston	Luther	Pappas	
Chmielewski	Kelly	Marty	Pariseau	

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

RECONSIDERATION

Having voted on the prevailing side, Ms. Runbeck moved that the vote whereby the second Oliver amendment to H.F. No. 1735 failed on April 22, 1993, be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 27 and nays 35, as follows:

Those who voted in the affirmative were:

Adkins	Day	Kiscaden	McGowan	Robertson
Belanger	Dille	Knutson	Merriam	Runbeck
Benson, D.D.	Frederickson	Laidig	Neuville	Stevens
Benson, J.E.	Hanson	Langseth	Oliver	
Berg	Johnson, D.E.	Larson	Pariseau	
Chmielewski	Johnston	Lesewski	Price	

Those who voted in the negative were:

Anderson	Finn	Lessard	Murphy	Riveness
Beckman	Flynn	Luther	Novak	Sams
Berglin	Janezich	Marty	Pappas	Solon
Bertram	Johnson, D.J.	Metzen	Piper	Spear
Betzold	Johnson, J.B.	Moe, R.D.	Pogemiller	Stumpf
Chandler	Kelly	Mondale	Ranum	Vickerman
Cohen	Krentz	Morse	Reichgott	Wiener

The motion did not prevail.

Mr. Bertram moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 247, after line 12, insert:

"ARTICLE 15

VIDEO LOTTERY

Section 1. [DEFINITIONS.]

Subdivision 1. [BOARD.] *"Board" is the state lottery board.*

Subd. 2. [CREDIT.] *A "credit" has a cash value of 25 cents.*

Subd. 3. [DIRECTOR.] *"Director" is the director of the state lottery.*

Subd. 4. [LICENSED ESTABLISHMENT.] *"Licensed establishment" means an establishment licensed under Minnesota Statutes, chapter 340A, to sell, and engaged in the sale of intoxicating liquor for consumption on the premises where sold.*

Subd. 5. [LOTTERY.] *"Lottery" is the state lottery authorized in Minnesota Statutes, chapter 349A.*

Subd. 6. [NET MACHINE INCOME.] *"Net machine income" means money put into a video lottery machine minus credits paid out in cash.*

Subd. 7. [SERVICE EMPLOYEE.] *"Service employee" means an employee of an operator certified by the director to perform service, maintenance, and repair on video lottery machines.*

Subd. 8. [EPROM.] *"Eprom" means a computer chip that stores memory.*

Subd. 9. [VIDEO LOTTERY MACHINE.] *"Video lottery machine" or "machine" means an electronic video game machine that upon the insertion of a coin, token, or currency is available to simulate by video representation the play of pull-tabs utilizing a video display and microprocessors in which, by chance, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, or tokens.*

Subd. 10. [VIDEO LOTTERY MACHINE DISTRIBUTOR.] *"Video lottery machine distributor" means an individual, partnership, corporation, or association that distributes or sells video lottery machines or associated equipment in this state.*

Subd. 11. [VIDEO LOTTERY MACHINE MANUFACTURER.] *"Video lottery machine manufacturer" means an individual, partnership, corporation, or association that assembles or produces video lottery machines or associated equipment for sale or use in this state.*

Subd. 12. [VIDEO LOTTERY MACHINE OPERATOR.] *"Video lottery machine operator" means an individual, partnership, corporation, or association that places video lottery machines or associated equipment for public use in this state.*

Subd. 13. [VIDEO LOTTERY PROCUREMENT CONTRACT.] *"Video lottery procurement contract" means a contract to provide video lottery products, computer hardware, and software used to monitor the operation of video lottery machines.*

Sec. 2. [RULES.]

The director shall adopt rules under Minnesota Statutes, chapter 14, governing the following elements of video lottery:

(1) the number and types of video lottery locations;

(2) qualifications of licensed establishments, video lottery machine manufacturers, distributors, and operators and application procedures for licenses;

(3) investigation of licensees;

(4) appeal procedures for denial, suspension, or cancellation of licenses;

(5) compensation of licensees;

(6) accounting for and deposit of video lottery revenues by video lottery machine operators and licensed establishments;

(7) procedures for issuing video lottery procurement contracts and for the investigation of bidders on those contracts;

(8) payment of video lottery prizes;

(9) procedures needed to ensure the integrity and security of video lottery;

(10) specifications for video lottery machines, the components of the machines, and the central communication system used in the operation of the video lottery system; and

(11) other rules the director considers necessary for the efficient operation and administration of video lottery.

Before adopting a rule the director shall submit the rule to the board for its review and comment. In adopting rules under clause (10), the director shall take into consideration standards adopted in other jurisdictions.

Sec. 3. [GAME PROCEDURES.]

The director may adopt game procedures governing the game types, odds, or the price for operation of a video lottery machine. The adoption of game procedures under this section is not subject to Minnesota Statutes, chapter 14. Before adopting a game procedure under this section, the director shall submit the procedure to the board for its review and comment.

Sec. 4. [CRIMINAL HISTORY.]

The director may request the director of gambling enforcement to investigate all applicants for video lottery machine manufacturer, distributor, operator, and establishment licenses to determine their compliance with the requirements of section 15, subdivision 5. The director has access to all criminal history data compiled by the director of gambling enforcement on any person holding or applying for a video lottery machine manufacturer, distributor, operator, or establishment license.

Sec. 5. [VENDOR CONTRACTS.]

The director must comply with the requirements contained in Minnesota Statutes, section 349A.07, before entering into a video lottery procurement contract.

Sec. 6. [VIDEO LOTTERY MACHINE MANUFACTURERS, DISTRIBUTORS, OPERATORS, AND ESTABLISHMENTS.]

A person who is a a video lottery machine manufacturer, distributor, operator, or a licensed establishment, or who is applying to be a video lottery machine manufacturer, distributor, operator, or licensed establishment may

not pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food or beverage, having an aggregate value of over $100 in any calendar year to the director, board member, employee of the lottery board, or to a member of the immediate family residing in the same household as that person.

Sec. 7. [REQUIREMENTS FOR LICENSED VIDEO LOTTERY MACHINES.]

A video lottery machine licensed under this article must:

(1) offer only games approved by the director;

(2) not have any means of manipulation that affect the random probabilities of winning a video lottery game; and

(3) have a minimum of one electronic or mechanical coin accepter that must be installed in each video lottery machine. A video lottery machine may also contain bill accepters for $1 bills, $5 bills, $10 bills, and $20 bills. The bill accepters may be for any single bill or combination of bills in the denominations listed in this clause. Approval letters and test reports of the coin and bill accepters from other state or federal jurisdictions may be submitted. However, all coin and bill accepters are subject to approval by the director.

Sec. 8. [LIMIT ON AMOUNT PLAYED AND AWARDS GIVEN.]

A video lottery machine must not allow more than $2 to be played on a game and must not award free games or credits in excess of the value of $125 per credit value of 25 cents played. The payback value of one credit must be at least 88 percent and not more than 95 percent of the value of the credit.

Sec. 9. [DISPLAY OF LICENSE FOR VIDEO LOTTERY MACHINE; CONFISCATION; VIOLATION.]

A video lottery machine must be licensed by the director before placement or operation on the premises of a licensed establishment. The machine must have the license prominently displayed on it. A machine that does not display the license required by this section is contraband and subject to confiscation by a law enforcement officer. A violation of this section is a misdemeanor.

Sec. 10. [APPLICATION FOR APPROVAL OF A VIDEO LOTTERY MACHINE.]

A manufacturer or distributor must not distribute a video lottery machine for placement in the state unless the machine has been approved by the director. A manufacturer may apply for approval of a video lottery machine or associated equipment while an application for the manufacturer's license is pending, provided that no machine or associated equipment may be distributed for placement until the license application has been approved.

Sec. 11. [EXAMINATION OF VIDEO LOTTERY MACHINES.]

The director must examine prototypes of video lottery machines of manufacturers seeking a license as required in this article. The director must require a manufacturer seeking examination and approval of a video lottery machine to pay the anticipated actual costs of the examination in advance and, after the completion of the examination, must refund overpayments or charge and collect amounts sufficient to reimburse the lottery for underpay-

ment of actual costs. The director may contract for the examination of video lottery machines as required by this section.

Sec. 12. [TESTING OF VIDEO LOTTERY MACHINES.]

The director may require working models of a video lottery machine to be transported to a location the director designates for testing, examination, and analysis. The manufacturer must pay all costs of testing, examination, analysis, and transportation of the machine models.

Sec. 13. [REPORT OF TEST RESULTS.]

After each test has been completed, the director must provide the machine manufacturer with a report that contains findings, conclusions, and pass/fail results. The report may contain recommendations for modifications to bring the machine into compliance with law and rules.

Sec. 14. [MODIFICATIONS TO PREVIOUSLY APPROVED MODELS.]

The machine manufacturer and distributor are responsible for the assembly and initial operation of a video lottery machine in the manner approved and specified in a license issued by the director. The manufacturer and distributor must not change the assembly or operational functions of a machine for placement in the state unless a request for modification has been approved by the director.

Sec. 15. [VIDEO LOTTERY MACHINE MANUFACTURERS, DISTRIBUTORS, OPERATORS, ESTABLISHMENTS; LICENSES; PROHIBITIONS.]

Subdivision 1. [LICENSE REQUIRED.] *A person must not engage in business as a video lottery machine manufacturer, distributor, operator, or licensed establishment in this state without a license from the director under this section.*

Subd. 2. [CONDITION ON LICENSED ESTABLISHMENTS.] *(a) As a condition of the issuance of a license under this article, a licensed establishment, which as of March 31, 1993, leases space in the licensed establishment to an organization licensed to conduct lawful gambling under Minnesota Statutes, chapter 349, must continue to lease space to a licensed organization for the duration of the license of the licensed establishment.*

(b) Any licensed establishment in which a video lottery machine is placed and operated must provide training to its employees for the recognition and prevention of compulsive gambling in accordance with standards established by the director

Subd. 3. [PROHIBITIONS.] *(a) A video lottery machine manufacturer must not sell, offer for sale, or furnish a video lottery machine for use in this state to a person who is not a video lottery machine distributor licensed by the director.*

(b) A video lottery machine distributor must not sell, offer for sale, or furnish a video lottery machine for use in the state to a person who is not a licensed video lottery machine operator.

(c) A video lottery machine operator must not lease or furnish a video lottery machine for use in this state to a licensed establishment that is not licensed by the director.

(d) A licensed establishment must not lease a video lottery machine from a person not licensed as a video lottery machine operator.

Subd. 4. [APPLICATION.] *(a) An application for a video lottery machine manufacturer, distributor, operator, or licensed establishment license must be accompanied by a corporate surety bond issued by a surety licensed to do business in this state in an amount determined by the director conditioned on compliance by the applicant with the provisions of the license. The bond required by this subdivision must be kept in full force during the period covered by the license.*

(b) Upon receipt of the application, the bond in proper form, and payment of the license fee required under this section, the director must issue a license, in a form prescribed by the director, to the applicant unless the director determines that the applicant is otherwise unqualified. A refusal to issue a license is a contested case under Minnesota Statutes, sections 14.57 to 14.69.

(c) The license permits the applicant to whom it is issued to engage in business as a video lottery machine manufacturer, distributor, operator, or licensed establishment at the place of business shown in the application. The director must assign a license number to each licensee when the initial license is issued. The license number must be inscribed on all licenses issued to a manufacturer, distributor, operator, or licensed establishment.

Subd. 5. [QUALIFICATIONS.] *(a) A license may not be issued under this section to a video lottery machine manufacturer, distributor, operator, or licensed establishment that has as a partner, officer, director, other person in a supervisory or management position, or employee eligible to make sales on behalf of the applicant, a person who has either: (1) for a license for a video lottery machine operator or a licensed establishment, within the previous five years been convicted of a felony or gross misdemeanor, a crime involving fraud or misrepresentation, a gambling-related offense or owes $500 or more in delinquent taxes as defined in Minnesota Statutes, section 270.72; or (2) for a license for a video lottery manufacturer or distributor, fails to satisfy the requirements contained in Minnesota Statutes, section 299L.07, subdivision 3.*

(b) A video lottery machine operator must be a resident of this state and, if a partnership or corporation, the majority of ownership interests must be held by residents of this state.

(c) The director shall require that all service employees or other persons authorized to open a video lottery machine be fingerprinted. The director may charge a fee for the fingerprinting.

(d) The director may adopt rules to establish additional requirements to preserve the integrity and security of the lottery.

Subd. 6. [LICENSE FEES.] *The annual license fees for video lottery machine manufacturers, distributors, operators, and licensed establishments are:*

(1) $5,000 for a video lottery machine manufacturer's license;

(2) $5,000 for a video lottery machine distributor's license;

(3) $1,000 for a video lottery machine operator's license for up to 25 licensed machines and $100 per licensed machine thereafter; and

(4) $100 for a retailer at whose establishment a video lottery machine is located.

The fees collected in this subdivision shall be deposited in the lottery fund and used to pay for the costs of conducting background investigations for licensees.

A license issued under this section is not transferable or assignable without the express written consent of the director.

Subd. 7. [RECORDS.] *(a) Manufacturers, distributors, and operators of video lottery machines must maintain a record of all video lottery machines sold or purchased. The record must include:*

(1) the identity of the person or firm to whom the video lottery machine was sold;

(2) the identity of the person or firm from whom the video lottery machine was purchased;

(3) the registration number of the video lottery machine; and

(4) the date of sale.

(b) The invoice for each sale must be retained for at least three years after the sale is completed and a copy of the invoice is delivered to the director. For purposes of this subdivision, a sale is completed when the video lottery machine is physically delivered to the purchaser.

(c) Manufacturers and distributors must report monthly to the director, in a form the director prescribes, their sales of each type of video lottery machine. The director or the director of gambling enforcement may inspect or cause to have inspected the books, records, and other documents of a manufacturer or distributor at any reasonable time without notice and without a search warrant.

Subd. 8. [LOCAL LICENSE.] *No political subdivision may require a local license to operate a video lottery machine, restrict or regulate the placement of a video lottery machine, or impose a tax or fee on the operation of video lottery machine except as specifically permitted under section 28.*

Sec. 16. [INVESTIGATION FEE.]

The director may charge a nonrefundable investigation fee to a person applying for a license as a video lottery machine manufacturer, distributor, operator, or licensed establishment in an amount sufficient to cover the cost of making the investigation required by section 4. The director may also charge a nonrefundable fee for an annual investigation of a licensee. Any fee collected under this section must be deposited into the lottery fund.

Sec. 17. [MAINTENANCE LOG FORMS REQUIRED.]

A written maintenance log must be kept in the main cabinet access area of a video lottery machine. Every person, including lottery and law enforcement personnel, who gains entry into an internal space of a video lottery machine must sign the log, indicate the time and date of entry, indicate the mechanical meter readings, and list the area inspected or repaired. The maintenance log forms must be obtained from the director and retained by operators for a period of three years from the date of the last entry. The maintenance logs must be available for inspection by the director upon request.

Sec. 18. [KEYS TO MACHINES.]

An operator must provide to the director master keys in a number determined by the director for access to the main cabinet door and locked logic area of a machine placed in operation.

Sec. 19. [NOTIFICATION OF REPAIRS TO THE LOGIC AREA.]

A repair to the logic board or circuitry within the logic area must be reported by the operator to the director immediately upon completion of the repair. The operator must also submit a written report of the repair to the director within 24 hours. If a logic board is replaced, the report must include the serial number of the replacement board.

Sec. 20. [NOTIFICATION OF BROKEN SEALS ON LOGIC BOARD.]

The eproms on the logic board of a video lottery machine must be sealed by the lottery after initial inspection. An operator must inform the director in writing of a break or tear in the sealed tape noticed during routine maintenance checks that were not the result of a repair under section 19.

Sec. 21. [PAYMENT FOR CREDITS.]

(a) A licensed establishment must pay for all credits won in the operation of the video lottery machine upon presentment of a valid credit receipt displaying the credits awarded to the player. The establishment must not pay a player on the basis of a credit receipt that has been defaced or tampered with. Upon payment to the player, the establishment must immediately cancel the credit receipt in a manner that prevents its reuse.

(b) The licensed establishment is responsible for accounting for all disbursements paid for credits won by the player and must supply that information to the director and to the operator.

(c) The operator is responsible for accounting to the establishment and to the director the machine income and must remit to the director the state's percentage of net machine income within the time periods required.

(d) Notwithstanding Minnesota Statutes, section 349A.08, subdivision 8, the director shall not be required to report to the department of revenue the name, address, and social security number of a winner of a prize from the operation of a video lottery machine.

(e) The director, board member, an employee of the state lottery, or a member of the immediate family of the director, board member, or employee of the state lottery residing in the same household, may not play a game on a video lottery machine or receive a prize from a video lottery machine.

Sec. 22. [RESTRICTION ON PAYMENT OF CREDITS.]

A licensed establishment may redeem credit receipts only for credits awarded on video lottery machines located on its premises. A credit receipt must be presented for payment before the close of business on the date the credit receipt was printed. Neither the lottery nor the state is liable for the payment of credits on valid credit receipts. A credit receipt redeemed by a licensed establishment must be marked or defaced in a manner that prevents subsequent presentment and payment.

Sec. 23. [LIABILITY FOR MACHINE MALFUNCTION.]

Neither the lottery nor the state is responsible for a machine malfunction that causes credits to be wrongfully awarded or denied to players. The operator is solely responsible for a wrongful award or denial of credits. An operator's liability is limited to the number of credits for the game displayed in the game rules and may not be greater than $1,000 for any succession of games played.

Sec. 24. [PROHIBITION.]

A distributor or operator of a video lottery machine must not also be a wholesale distributor of liquor or alcoholic beverages.

Sec. 25. [MULTIPLE TYPES OF LICENSES PROHIBITED.]

A video lottery machine manufacturer must not be licensed as a video lottery machine distributor or operator or own, manage, or control a licensed establishment. A video lottery machine distributor must not be licensed as a video lottery machine operator or own, manage, or control a licensed establishment. A video lottery machine operator must not be licensed as a video lottery machine manufacturer or distributor. An owner or manager of a licensed establishment must not be licensed as a video lottery machine manufacturer or distributor.

Sec. 26. [RULES FOR PLACEMENT OF VIDEO LOTTERY MACHINES; NUMBER LIMITED; SECURITY.]

Subdivision 1. [NUMBER OF MACHINES.] *A maximum of two video lottery machines may be placed in a licensed establishment. The placement of a video lottery machine in a licensed establishment is subject to the rules of the director.*

Subd. 2. [SECURITY.] *The licensed establishment is required to install a camera surveillance system.*

Sec. 27. [HOURS OF OPERATIONS OF MACHINES.]

A video lottery machine may be played only during the legal hours for on-sale consumption of alcoholic beverages as provided in Minnesota Statutes, chapter 340A.

Sec. 28. [VIDEO LOTTERY MACHINE INCOME; REMITTANCE TO STATE; PENALTIES.]

(a) The percentages of the net machine income required to be remitted to the director from the operation of a video lottery machine referred to in this section constitute a trust fund until paid to the director. The licensed establishment and the video lottery machine operator are jointly and severally liable for the state's share of the net machine income. In any claim for net machine income the state shall have priority for its share over any other claim.

(b) The state is entitled to 30 percent of the net machine income from the operation of a video lottery machine. Of the state's percentage, the director must remit to the state from the lottery fund an amount equivalent to 2-1/2 percent of the state's share which shall be directed to the commissioner of human services for the compulsive gambling treatment program as provided in Minnesota Statutes, section 245.98.

(c) Any organization licensed under Minnesota Statutes, chapter 349, and conducting lawful gambling in the licensed establishment is entitled to ten

percent of the net machine income from the operation of a video lottery machine. A local statutory or home rule charter city or county may require by ordinance that the organization contribute up to ten percent of the amount of net machine income the organization receives to a fund administered and regulated by the responsible local unit of government for disbursement by the responsible local unit of government for lawful purposes contributions or expenditures, as defined in Minnesota Statutes, section 349.12, subdivision 25, paragraph (a). If there is no organization conducting lawful gambling at the licensed establishment, the ten percent shall be remitted to the local statutory or home rule charter city or county in which the licensed establishment is located for the purpose of economic development within that jurisdiction.

(d) The state's percentage and the percentage under paragraph (c) of net machine income must be reported and remitted to the director on the days determined by the director. The amount remitted to the director under this paragraph must be deposited into the lottery fund. The amount required to be remitted under paragraph (b) shall be included in the calculation of gross revenue under Minnesota Statutes, chapter 349A.

(e) An operator who falsely reports or fails to report the amount due as required by this section is guilty of a misdemeanor and is subject to termination of the operator's license.

(f) An operator must keep a record of net machine income in the form the director requires. A payment not remitted when due must be paid together with a penalty assessment on the unpaid balance at a rate of 1-1/2 percent per month.

(g) The operator of a video lottery machine shall be entitled to 70 percent of net machine income as commission. Any amount due an organization under paragraph (c) and to a licensed establishment under a location agreement shall be paid by the operator solely and exclusively from commission retained by the operator under this paragraph.

(h) Notwithstanding Minnesota Statutes, section 297A.02, sales of plays on a video lottery machine are exempt from the sales tax imposed in that section.

Sec. 29. [REMITTANCE THROUGH ELECTRONIC TRANSFER OF FUNDS.]

The operator of a video lottery machine must remit the state's percentage of net machine income and the amount required to be remitted under section 28, paragraph (c), through the electronic transfer of funds. The operator must furnish to the director all information and bank authorizations required to facilitate timely payment to the director. The operator must provide the director 30 days' advance notice of a proposed account change to ensure the uninterrupted electronic transfer of funds.

Sec. 30. [INTEREST ON LATE PAYMENT OR INSUFFICIENT FUNDS PAYMENT.]

An operator must maintain a balance in its account in an amount to cover the state's percentage of net machine income set forth in section 28. If an operator fails to maintain a balance in the account as required by this section, the director must assess interest at the rate of 1-1/2 percent per month on the unpaid balance. If an operator fails to remit full payment, including interest, before the next payment date, the director may disable the machine and

prevent further play, suspend or revoke the operator's license, or impose a civil fine.

Sec. 31. [AUDIT TAPE.]

An operator must retain an audit tape that records an exact duplicate of tickets printed and transactions recorded in the video lottery machine. The audit tape must be kept for a period of three years, identified by machine, and stored in a secure area.

Sec. 32. [INCOME RECORD KEEPING.]

An operator must keep accurate records of net machine income generated from a machine. The director must prepare and mail to the operator a statement reflecting the net machine income and the state's percentage of that amount before the date payment is remitted through the electronic transfer of funds. An operator must report to the director any discrepancies in net machine income between the lottery's statement and a machine's mechanical and electronic meter readings. The director is not responsible for resolving discrepancies in net machine income between actual money collected and the amount shown on the accounting meters or billing statement. In the event of a discrepancy, the operator must submit to the director information, including, without limitation, current mechanical meter readings and the audit ticket that contains electronic meter readings generated by the machine's software, necessary to resolve the discrepancy.

Sec. 33. [REQUEST FOR REPORTS.]

An operator may request, and the director must supply to the extent available, additional reports on play transactions of a video lottery machine and other marketing information not considered confidential by the director. The director may charge a fee for the cost of producing and mailing the reports and information.

Sec. 34. [REVOCATION, SUSPENSION, AND REFUSAL TO RENEW LICENSES.]

(a) The director must revoke the license of a video lottery machine manufacturer, distributor, operator, or licensed establishment that:

(1) for an operator of a licensed establishment, has been convicted of a felony, gross misdemeanor, or a gambling-related offense within the previous five years, or, for a video lottery machine manufacturer or distributor, has been convicted of a gambling-related offense at any time;

(2) has provided false or misleading information to the division;

(3) fails to comply with section 15, subdivision 2; or

(4) for a video lottery manufacturer or distributor, fails to comply with the requirements in Minnesota Statutes, section 299L.07, subdivision 3.

(b) The director may revoke, suspend, or refuse to renew the license of a video lottery machine manufacturer, distributor, operator, or licensed establishment that:

(1) fails to remit funds to the director in accordance with the director's rules;

(2) violates a law or a rule or order of the director;

(3) fails to comply with any of the terms in the license;

(4) fails to comply with bond requirements under section 15, subdivision 4; or

(5) has violated Minnesota Statutes, section 340A.503, subdivision 2, clause (1), two or more times within a two-year period.

(c) The director may also revoke, suspend, or refuse to renew a license of a video lottery machine manufacturer, distributor, operator, or licensed establishment if there is a material change in any of the factors considered by the director under section 15, subdivision 5.

(d) A license cancellation, suspension, or refusal to renew under this subdivision is a contested case under Minnesota Statutes, sections 14.57 to 14.69, and is in addition to any criminal penalties provided for a violation of law or rule.

(e) The director may temporarily suspend a license without notice for any of the reasons specified in this section provided that a hearing is conducted within seven days after a request for a hearing is made by a licensee. Within 20 days after receiving the administrative law judge's report, the director shall issue an order vacating the temporary suspension or making any other appropriate order. If no hearing is requested within 30 days of the temporary suspension taking effect, the director may issue an order making the suspension permanent.

Sec. 35. [FRAUD.]

A person is guilty of a gross misdemeanor if the person does any of the following with intent to defraud the state lottery:

(1) alters or counterfeits a credit receipt from a video lottery machine;

(2) knowingly presents an altered or counterfeited credit receipt from a video lottery machine for payment;

(3) knowingly transfers an altered or counterfeited credit receipt from a video lottery machine to another person;

(4) tampers with or manipulates the outcome, prize payable, or operation of a video lottery machine; or

(5) otherwise claims a video lottery prize by means of fraud, deceit, or misrepresentation.

Sec. 36. [GAMBLING DEVICE; VIDEO LOTTERY DEVICE.]

Subdivision 1. [VIDEO LOTTERY DEVICE.] *Notwithstanding Minnesota Statutes, section 349A.13, clause (2), this article authorizes the director to install or operate a video lottery device operated by coin or currency which when operated determines the winner of a game.*

Subd. 2. [GAMBLING DEVICE.] *Notwithstanding Minnesota Statutes, section 609.75, subdivision 4, a gambling device does not include a video lottery machine operated by the state lottery under this article.*

Subd. 3. [VIDEO LOTTERY MACHINE.] *Minnesota Statutes, sections 609.755 and 609.76, do not prohibit the manufacture, sale, placement, or operation of a video lottery machine under this article.*

Sec. 37. [AGE.]

(a) A licensed establishment must not allow a person under the age of 21 to operate a video lottery machine.

(b) A person under the age of 21 must not operate a video lottery machine.

(c) It is an affirmative defense under paragraph (a) for the licensed establishment to prove by a preponderance of the evidence that the licensed establishment reasonably and in good faith relied on representation of proof of age described in Minnesota Statutes, section 340A.503, subdivision 6, in allowing the operation of the video lottery machine.

Sec. 38. [SERVICE AND REPAIR; TRAINING.]

(a) A video lottery machine must not be placed in operation in the state until training that has been approved by the director in the service and repair of the machine has taken place as hereafter provided.

(b) A manufacturer or distributor must provide training in the service and repair of each machine model approved by the director.

(c) A video lottery machine must not be placed in operation in the state until the manufacturer or distributor has provided the required training in the service and repair of the machine model approved by the director.

(d) A manufacturer or distributor must provide the training to the operator and its service employees and must certify to the director that the required training has been completed.

(e) A manufacturer or distributor must provide subsequent training programs to inform operators of new developments in the service and repair of its machines.

(f) A manufacturer or distributor must inform the director of the names of operators and service employees who attend and successfully complete each training program. The director must issue a certificate to each person certified signifying that the person is certified to service and repair video lottery machines of the particular manufacturer and model.

Sec. 39. [MAINTENANCE OF VIDEO LOTTERY MACHINES.]

Video lottery machines must be serviced and maintained in a manner and condition approved by the director.

Sec. 40. [INSPECTIONS.]

Manufacturers, distributors, operators, and licensed establishments must provide immediate access to all records and the physical premises of the business for inspection at the request of the director.

Sec. 41. [TELEPHONE LINES.]

The operator of a video lottery machine is responsible for the installation, operation, and funding of telephone lines into a licensed establishment as required by the director to provide direct communication between the machine and the central computer operated by the lottery.

Sec. 42. [LOCATION AGREEMENTS.]

(a) A video lottery machine operator must have a location agreement that is approved by the director with the licensed establishment providing at least the following:

(1) designation of the location where the video lottery machine is to be placed for use by the public; and

(2) provision for the share in revenue generated from net machine income to be apportioned to the operator and to the licensed establishment.

(b) A copy of the location agreement must be retained by the operator and the licensed establishment and be available for review and inspection by the director.

(c) The location agreement may contain other terms and conditions agreed to by the operator and licensed establishment.

Sec. 43. [REPEALER.]

This article is repealed August 1, 1995.

Sec. 44. [EFFECTIVE DATE.]

Article 15 is effective the day following final enactment."

Amend the title accordingly

Mr. Frederickson questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

Mr. Hottinger moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 118, line 33, after the comma, insert "*the chair of the governmental operations and reform committee of the senate and the chair of the governmental operations and gaming committee of the house of representatives or their successor committees,*"

The motion prevailed. So the amendment was adopted.

Mr. Benson, D.D. moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 244 to 247, delete sections 1 to 5 and insert:

"Section 1. Minnesota Statutes 1992, section 270.06, is amended to read:

270.06 [POWERS AND DUTIES.]

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce

the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) summon witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents relating to any tax matter which the commissioner may have authority to investigate or determine. Provided, that any summons which does not identify the person or persons with respect to whose tax liability the summons is issued may be served only if (a) the summons relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any tax law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the summons is issued) is not readily available from other sources, (d) the summons is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a summons which does not identify the person or persons with respect to whose tax liability the summons is issued shall have the right, within 20 days after service of the summons, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the summons is enforceable. If no such petition is made by the party served within the time prescribed, the summons shall have the force and effect of a court order;

(8) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(9) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of assessment and taxing laws, and secure just

and equal taxation and improvement in the system of assessment and taxation in this state;

(10) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(11) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(12) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(13) administer and enforce the assessment and collection of state taxes and, from time to time, make, publish, and distribute rules for the administration and enforcement of state tax laws. The rules have the force of law;

(14) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(15) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and disbar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(16) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to examine books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. Upon demand of an agent, the clerk or court administrator of any court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent. The commissioner may also issue subpoenas. Disobedience of subpoenas issued under this chapter shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(17) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(18) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

(19) ~~administer and enforce the provisions of sections 325D.30 to 325D.42, the Minnesota unfair cigarette sales act;~~

~~(20)~~ authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and

~~(21)~~ *(20)* exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.

Sec. 2. Minnesota Statutes 1992, section 297.02, subdivision 1, is amended to read:

Subdivision 1. [RATES.] A tax is hereby imposed upon the sale of cigarettes in this state or having cigarettes in possession in this state with intent to sell and upon any person engaged in business as a distributor thereof, at the following rates, subject to the discount provided in section 297.03:

(1) On cigarettes weighing not more than three pounds per thousand, ~~24~~ *35.5* mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, ~~48~~ *71* mills on each such cigarette.

Sec. 3. Minnesota Statutes 1992, section 297.03, subdivision 5, is amended to read:

Subd. 5. [SALE OF STAMPS.] The commissioner shall sell stamps to any person licensed as a distributor at a discount of ~~1.0~~ .. percent from the face amount of the stamps for the first $1,500,000 of such stamps purchased in any fiscal year; and at a discount of ~~.60~~ .. percent on the remainder of such stamps purchased in any fiscal year. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

Sec. 4. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] *A floor stocks tax is imposed on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes in the person's possession or under the person's control at 12:01 a.m. on July 1, 1993. The tax is equal to:*

(1) on cigarettes weighing not more than three pounds per thousand, 11.5 mills on each cigarette;

(2) on cigarettes weighing more than three pounds per thousand, 23 mills on each cigarette.

Each distributor, by July 8, 1993, shall file a report with the commissioner of revenue, in the form the commissioner of revenue prescribes, showing the

cigarettes on hand at 12:01 a.m. on July 1, 1993, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by August 1, 1993, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner of revenue, in the form the commissioner of revenue prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 1993, and pays the tax due by August 1, 1993. Tax not paid by the due date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] *The tax imposed by this section is subject to the audit, assessment, and collection provisions that apply to taxes imposed under Minnesota Statutes, chapter 297C. The commissioner of revenue may require a distributor to receive and maintain copies of floor stocks tax returns filed by all persons requesting a credit for returned cigarettes.*

Subd. 3. [DEPOSIT OF PROCEEDS.] *The revenue from the tax imposed under this section shall be deposited by the commissioner of revenue in the state treasury and credited to the general fund.*

Sec. 5. [REPEALER.]

Minnesota Statutes, sections 325D.30; 325D.31; 325D.32; 325D.33; 325D.34; 325D.35; 325D.36; 325D.37; 325D.38; 325D.39; 325D.40; 325D.405; 325D.415; and 325D.42, are repealed.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective July 1, 1993."

Correct the internal references

Amend the title accordingly

Mr. Neuville requested division of the amendment as follows:

First portion:

Page 244 to 247, delete sections 1 to 5 and insert:

"Section 1. Minnesota Statutes 1992, section 297.02, subdivision 1, is amended to read:

Subdivision 1. [RATES.] A tax is hereby imposed upon the sale of cigarettes in this state or having cigarettes in possession in this state with intent to sell and upon any person engaged in business as a distributor thereof, at the following rates, subject to the discount provided in section 297.03:

(1) On cigarettes weighing not more than three pounds per thousand, ~~24~~ *35.5* mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, ~~48~~ *71* mills on each such cigarette.

Sec. 2. Minnesota Statutes 1992, section 297.03, subdivision 5, is amended to read:

Subd. 5. [SALE OF STAMPS.] The commissioner shall sell stamps to any person licensed as a distributor at a discount of ~~1.0~~ .. percent from the face amount of the stamps for the first $1,500,000 of such stamps purchased in any fiscal year; and at a discount of ~~.60~~ .. percent on the remainder of such stamps

purchased in any fiscal year. The commissioner shall not sell stamps to any other person. The commissioner may prescribe the method of shipment of the stamps to the distributor as well as the quantities of stamps purchased.

Sec. 3. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] *A floor stocks tax is imposed on every person engaged in business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes in the person's possession or under the person's control at 12:01 a.m. on July 1, 1993. The tax is equal to:*

(1) on cigarettes weighing not more than three pounds per thousand, 11.5 mills on each cigarette;

(2) on cigarettes weighing more than three pounds per thousand, 23 mills on each cigarette.

Each distributor, by July 8, 1993, shall file a report with the commissioner of revenue, in the form the commissioner of revenue prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 1993, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by August 1, 1993, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative shall file a return with the commissioner of revenue, in the form the commissioner of revenue prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 1993, and pays the tax due by August 1, 1993. Tax not paid by the due date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] *The tax imposed by this section is subject to the audit, assessment, and collection provisions that apply to taxes imposed under Minnesota Statutes, chapter 297C. The commissioner of revenue may require a distributor to receive and maintain copies of floor stocks tax returns filed by all persons requesting a credit for returned cigarettes.*

Subd. 3. [DEPOSIT OF PROCEEDS.] *The revenue from the tax imposed under this section shall be deposited by the commissioner of revenue in the state treasury and credited to the general fund.*"

Correct the internal references

Amend the title accordingly

Second portion:

Pages 244 to 247, delete sections 1 to 5 and insert:

"Section 1. Minnesota Statutes 1992, section 270.06, is amended to read:

270.06 [POWERS AND DUTIES.]

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) summon witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents relating to any tax matter which the commissioner may have authority to investigate or determine. Provided, that any summons which does not identify the person or persons with respect to whose tax liability the summons is issued may be served only if (a) the summons relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any tax law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the summons is issued) is not readily available from other sources, (d) the summons is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a summons which does not identify the person or persons with respect to whose tax liability the summons is issued shall have the right, within 20 days after service of the summons, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the summons is enforceable. If no such petition is made by the party served within the time prescribed, the summons shall have the force and effect of a court order;

(8) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(9) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem

expedient to prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

(10) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(11) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(12) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(13) administer and enforce the assessment and collection of state taxes and, from time to time, make, publish, and distribute rules for the administration and enforcement of state tax laws. The rules have the force of law;

(14) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(15) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and disbar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(16) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to examine books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. Upon demand of an agent, the clerk or court administrator of any court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent. The commissioner may also issue subpoenas. Disobedience of subpoenas issued under this chapter shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(17) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(18) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

(19) ~~administer and enforce the provisions of sections 325D.30 to 325D.42, the Minnesota unfair cigarette sales act;~~

~~(20)~~ authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and

~~(21)~~ *(20)* exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.

Sec. 2. [REPEALER.]

Minnesota Statutes, sections 325D.30; 325D.31; 325D.32; 325D.33; 325D.34; 325D.35; 325D.36; 325D.37; 325D.38; 325D.39; 325D.40; 325D.405; 325D.415; and 325D.42, are repealed.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective July 1, 1993."

Correct the internal references

Amend the title accordingly

The question was taken on the adoption of the first portion of the Benson, D.D. amendment.

Ms. Reichgott moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 36 and nays 30, as follows:

Those who voted in the affirmative were:

Anderson	Cohen	Knutson	Murphy	Reichgott
Belanger	Dille	Luther	Oliver	Spear
Benson, D.D.	Flynn	Marty	Pappas	Stevens
Benson, J.E.	Frederickson	McGowan	Pariseau	Wiener
Berg	Hottinger	Merriam	Piper	
Berglin	Johnson, D.E.	Moe, R.D.	Pogemiller	
Betzold	Johnson, J.B.	Mondale	Price	
Chandler	Kiscaden	Morse	Ranum	

Those who voted in the negative were:

Adkins	Hanson	Kroening	Metzen	Runbeck
Beckman	Janezich	Laidig	Neuville	Sams
Bertram	Johnson, D.J.	Langseth	Novak	Samuelson
Chmielewski	Johnston	Larson	Olson	Solon
Day	Kelly	Lesewski	Riveness	Stumpf
Finn	Krentz	Lessard	Robertson	Vickerman

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 Benson, D.D. amendment.

The roll was called, and there were yeas 28 and nays 38, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Lesewski	Neuville	Reichgott
Belanger	Johnson, D.E.	Luther	Oliver	Riveness
Benson, D.D.	Johnston	Marty	Pappas	Samuelson
Berglin	Kelly	McGowan	Piper	Spear
Betzold	Kiscaden	Merriam	Pogemiller	
Cohen	Laidig	Morse	Price	

Those who voted in the negative were:

Adkins	Dille	Knutson	Mondale	Sams
Beckman	Finn	Krentz	Murphy	Solon
Benson, J.E.	Flynn	Kroening	Novak	Stevens
Berg	Hanson	Langseth	Olson	Stumpf
Bertram	Hottinger	Larson	Pariseau	Vickerman
Chandler	Janezich	Lessard	Ranum	Wiener
Chmielewski	Johnson, D.J.	Metzen	Robertson	
Day	Johnson, J.B.	Moe, R.D.	Runbeck	

The motion did not prevail. So the second portion of the amendment was not adopted.

RECONSIDERATION

Having voted on the prevailing side, Mr. Morse moved that the vote whereby the first portion of the Benson, D.D. amendment to H.F. No. 1735 was adopted on April 22, 1993, be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 23 and nays 42, as follows:

Those who voted in the affirmative were:

Anderson	Janezich	Larson	Neuville	Samuelson
Beckman	Johnson, D.J.	Lesewski	Novak	Solon
Bertram	Johnston	Lessard	Pappas	Vickerman
Chmielewski	Knutson	Metzen	Riveness	
Finn	Kroening	Morse	Sams	

Those who voted in the negative were:

Adkins	Day	Krentz	Murphy	Robertson
Belanger	Dille	Laidig	Oliver	Runbeck
Benson, D.D.	Flynn	Langseth	Olson	Spear
Benson, J.E.	Frederickson	Luther	Pariseau	Stevens
Berg	Hanson	Marty	Piper	Stumpf
Berglin	Hottinger	McGowan	Pogemiller	Wiener
Betzold	Johnson, D.E.	Merriam	Price	
Chandler	Johnson, J.B.	Moe, R.D.	Ranum	
Cohen	Kiscaden	Mondale	Reichgott	

The motion did not prevail.

Mr. Oliver moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 128 and 129, delete section 1

Page 130, lines 7 and 8, delete "*under subdivision 3, clause (4)*"

Page 130, line 9, delete from "*Subd.*" through page 134, line 6, to "*extension.*" and insert:

"*Subd. 3.* [COMPREHENSIVE CHOICE HOUSING.] *The metropolitan council and the comprehensive choice housing advisory committee shall develop a plan to meet the goals of affordable housing in every community in the metropolitan area. The plan would include suggestions to municipalities within the metropolitan area on methods of eliminating barriers to housing choices and would outline opportunities to achieve the policy and goals in subdivision 1. The metropolitan council shall report by February 1, 1994, to the legislature with the recommendations on developing a full range of housing opportunities throughout the metropolitan area and achieving the goals and policies in subdivision 1.*

The comprehensive choice housing advisory committee consists of one member appointed by the city council of Minneapolis, one member appointed by the city council of St. Paul, three members appointed by the municipal legislative commission board, five members appointed by the board of the association of metropolitan municipalities, and five members residing in and representing the metropolitan area appointed by the board of the league of Minnesota cities."

Renumber the sections of article 6 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 40, as follows:

Those who voted in the affirmative were:

Belanger	Dille	Laidig	Neuville	Stevens
Benson, D.D.	Frederickson	Langseth	Oliver	Wiener
Benson, J.E.	Johnson, D.E.	Larson	Olson	
Berg	Johnston	Lesewski	Pariseau	
Chmielewski	Kiscaden	Lessard	Robertson	
Day	Knutson	McGowan	Runbeck	

Those who voted in the negative were:

Adkins	Finn	Krentz	Morse	Reichgott
Anderson	Flynn	Kroening	Murphy	Riveness
Beckman	Hanson	Luther	Novak	Sams
Berglin	Hottinger	Marty	Pappas	Samuelson
Bertram	Janezich	Merriam	Piper	Solon
Betzold	Johnson, D.J.	Metzen	Pogemiller	Spear
Chandler	Johnson, J.B.	Moe, R.D.	Price	Stumpf
Cohen	Kelly	Mondale	Ranum	Vickerman

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

Mr. Berg moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 242, after line 35, insert:

"Sec. 13. Minnesota Statutes 1992, section 349.12, subdivision 25, is amended to read:

Subd. 25. (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) organization, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a recognized program for the treatment of compulsive gambling on behalf of an individual who is a compulsive gambler;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender, as evidenced by (i) provision of equipment and supplies, (ii) scheduling of activities, including games and practice times, (iii) supply and assignment of coaches or other adult supervisors, (iv) provision and availability of support facilities, and (v) whether the opportunity to participate reflects each gender's demonstrated interest in the activity, provided that nothing in this clause prohibits a contribution to or expenditure on an educational institution or other entity that is excepted from the prohibition against discrimination based on sex contained in the Higher Education Act Amendments of 1976, United States Code, title 20, section 1681;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, ~~and~~ the ~~tax~~ *taxes* imposed by section 349.212, subdivisions 1 ~~and~~, 4, *and 6*, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on ~~licensed~~ *permitted* gambling premises wholly owned by the licensed organization paying the taxes, not to exceed:

(i) the amount which an organization may expend under board rule on rent for premises used for bingo; ~~or~~

(ii) *50 percent of the real estate taxes and assessments or* $15,000 per year, *whichever is more,* for premises used for other forms of lawful gambling; *or*

(iii) 100 percent of the real estate taxes and assessments for premises constructed, acquired, or expended, if the construction, acquisition, or expansion was started before August 1, 1990;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization, church, or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances; or

(12) payment of one-half of the reasonable costs of an audit required in section 349.19, subdivision 9.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, except as provided in clause (6), unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; or (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) the erection, acquisition, improvement, or expansion of real property or capital assets which will be used for one or more of the purposes in paragraph (a), clause (7), unless the organization making the expenditures notifies the board at least 15 days before making the expenditure.

Sec. 14. Minnesota Statutes 1992, section 349A.03, subdivision 2, is amended to read:

Subd. 2. [BOARD DUTIES.] The board has the following duties:

(1) to advise the director on all aspects of the lottery;

(2) to review and comment on rules and game procedures adopted by the director;

(3) review and comment on lottery procurement contracts;

(4) review and comment on agreements between the director and one or more other lotteries relating to a joint lottery; *and*

(5) to review and comment on advertising promulgated by the director at least quarterly to ensure that all advertising is consistent with the dignity of the state and with section 349A.09~~; and~~

~~(6) to approve additional compensation for the director under subdivision 3~~."

Page 244, after line 17, insert:

"Sec. 19. [EFFECT.]

Sections 14 and 20 may not be construed to reduce the rate of compensation paid the director of the state lottery as of the effective date of this act.

Sec. 20. [REPEALER.]

Minnesota Statutes 1992, section 349A.03, subdivision 3, is repealed."

Page 244, after line 29, insert:

"*Sections 14, 19, and 20 are effective the day following final enactment.*"

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

Mr. Berg requested division of the amendment as follows:

First portion:

Page 242, after line 35, insert:

"Sec. 13. Minnesota Statutes 1992, section 349A.03, subdivision 2, is amended to read:

Subd. 2. [BOARD DUTIES.] The board has the following duties:

(1) to advise the director on all aspects of the lottery;

(2) to review and comment on rules and game procedures adopted by the director;

(3) review and comment on lottery procurement contracts;

(4) review and comment on agreements between the director and one or more other lotteries relating to a joint lottery; *and*

(5) to review and comment on advertising promulgated by the director at least quarterly to ensure that all advertising is consistent with the dignity of the state and with section 349A.09; ~~and~~

~~(6) to approve additional compensation for the director under subdivision 3~~."

Page 244, after line 17, insert:

"Sec. 18. [EFFECT.]

Sections 13 and 19 may not be construed to reduce the rate of compensation paid the director of the state lottery as of the effective date of this act.

Sec. 19. [REPEALER.]

Minnesota Statutes 1992, section 349A.03, subdivision 3, is repealed."

Page 244, after line 29, insert:

"*Sections 13, 18, and 19 are effective the day following final enactment.*"

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

Second portion:

Page 242, after line 35, insert:

"Sec. 13. Minnesota Statutes 1992, section 349.12, subdivision 25, is amended to read:

Subd. 25. (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) organization, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a recognized program for the treatment of compulsive gambling on behalf of an individual who is a compulsive gambler;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender, as evidenced by (i) provision of equipment and supplies, (ii) scheduling of activities, including games and practice times, (iii) supply and assignment of coaches or other adult supervisors, (iv) provision and availability of support facilities, and (v) whether the opportunity to participate reflects each gender's demonstrated interest in the activity, provided that nothing in this clause prohibits a contribution to or expenditure on an educational institution or other entity that is excepted from the prohibition against discrimination based on sex contained in the Higher Education Act Amendments of 1976, United States Code, title 20, section 1681;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, ~~and~~ the ~~tax~~ *taxes* imposed by section 349.212, subdivisions 1 ~~and~~, 4, *and 6,* and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on ~~licensed~~ *permitted* gambling premises wholly owned by the licensed organization paying the taxes, not to exceed:

(i) the amount which an organization may expend under board rule on rent for premises used for bingo; ~~or~~

(ii) *50 percent of the real estate taxes and assessments or* $15,000 per year, *whichever is more,* for premises used for other forms of lawful gambling; *or*

(iii) 100 percent of the real estate taxes and assessments for premises constructed, acquired, or expended, if the construction, acquisition, or expansion was started before August 1, 1990;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization, church, or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances; or

(12) payment of one-half of the reasonable costs of an audit required in section 349.19, subdivision 9.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, except as provided in clause (6), unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by

other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; or (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) the erection, acquisition, improvement, or expansion of real property or capital assets which will be used for one or more of the purposes in paragraph (a), clause (7), unless the organization making the expenditures notifies the board at least 15 days before making the expenditure."

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

Mr. Johnson, D.J. questioned whether the first portion of the Berg amendment was germane.

The President ruled that the first portion of the amendment was not germane.

Mr. Johnson, D.J. questioned whether the second portion of the Berg amendment was germane.

The President ruled that the second portion of the amendment was germane.

The question was taken on the adoption of the second portion of the Berg amendment. The motion prevailed. So the second portion of the Berg amendment was adopted.

Ms. Runbeck moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 135, line 24, after "*Washington*" insert ", *except that they do not*

apply in home rule charter or statutory cities whose populations, as forecast by the metropolitan council, will be under 5,000 in the year 2020''

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 24 and nays 38, as follows:

Those who voted in the affirmative were:

Belanger	Johnson, D.E.	Larson	Metzen	Robertson
Benson, D.D.	Johnston	Lesewski	Neuville	Runbeck
Benson, J.E.	Kiscaden	Lessard	Oliver	Solon
Dille	Knutson	McGowan	Olson	Stevens
Frederickson	Laidig	Merriam	Pariseau	

Those who voted in the negative were:

Adkins	Cohen	Kelly	Murphy	Sams
Anderson	Finn	Krentz	Novak	Samuelson
Beckman	Flynn	Kroening	Pappas	Spear
Berglin	Hanson	Luther	Piper	Stumpf
Bertram	Hottinger	Marty	Pogemiller	Vickerman
Betzold	Janezich	Moe, R.D.	Ranum	Wiener
Chandler	Johnson, D.J.	Mondale	Reichgott	
Chmielewski	Johnson, J.B.	Morse	Riveness	

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

Ms. Robertson moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 161, after line 28, insert:

''Sec. 5. Minnesota Statutes 1992, 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;

(3) the amount paid to others not to exceed $650 for each dependent in grades kindergarten to 6 and $1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, ''textbooks'' includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. ''Textbooks'' does not include

instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. 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;

(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;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491; ~~and~~

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a)*; and*

(9) the amount paid by an individual for premiums for long-term care policies. The premiums must have been paid during the taxable year for long-term care policies as defined in section 62A.46, subdivision 2; the individual or the individual's spouse or parent must be the insured person under the policy as defined in section 62A.46, subdivision 9; and the policy must be issued by a qualified insurer as defined in section 62A.46, subdivision 6, and must satisfy the requirements of sections 62A.46 to 62A.56."

Page 164, line 33, delete ", *4, and*" and insert "*to*"

Renumber the sections of article 9 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 30 and nays 35, as follows:

Those who voted in the affirmative were:

Beckman	Chmielewski	Johnston	Lessard	Robertson
Belanger	Day	Kiscaden	McGowan	Runbeck
Benson, D.D.	Dille	Knutson	Neuville	Solon
Benson, J.E.	Finn	Laidig	Oliver	Stevens
Bertram	Frederickson	Larson	Olson	Vickerman
Betzold	Johnson, D.E.	Lesewski	Pariseau	Wiener

Those who voted in the negative were:

Adkins	Hottinger	Langseth	Morse	Ranum
Anderson	Janezich	Luther	Murphy	Reichgott
Berglin	Johnson, D.J.	Marty	Novak	Riveness
Chandler	Johnson, J.B.	Merriam	Pappas	Sams
Cohen	Kelly	Metzen	Piper	Samuelson
Flynn	Krentz	Moe, R.D.	Pogemiller	Spear
Hanson	Kroening	Mondale	Price	Stumpf

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

Mr. Hottinger moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 1 to 4, delete section 1

Page 50, delete section 29 and insert:

"Sec. 28. Minnesota Statutes 1992, section 273.1398, is amended by adding a subdivision to read:

Subd. 3a. [DISPARITY REDUCTION AID TO CITIES.] *Notwithstanding the provisions of subdivision 3 or section 275.08, subdivision 1d, the amount of disparity reduction aid for a city for aid payable in calendar year 1994 and thereafter is zero, and the local tax rate for taxes payable in 1994 and thereafter for a city shall not be adjusted under section 275.08, subdivision 1d. For purposes of this subdivision, city means a statutory or home rule charter city.*"

Page 62, delete section 37

Page 65, after line 30, insert:

"Sec. 40. Minnesota Statutes 1992, section 477A.011, subdivision 1a, is amended to read:

Subd. 1a. [CITY.] "City" means a statutory or home rule charter city. ~~City also means a town having a population of 5,000 or more for purposes of the aid payable under section 477A.013, subdivision 3. Towns are not eligible to be treated as cities for purposes of aid payable under section 477A.013, subdivision 5, or the aid adjustment under section 477A.013, subdivision 7.~~

Sec. 41. Minnesota Statutes 1992, section 477A.011, subdivision 20, is amended to read:

Subd. 20. [CITY *NET* TAX CAPACITY.] "City *net* tax capacity" means (1) ~~23 percent of~~ the net tax capacity computed using the net tax capacity rates ~~listed~~ in ~~Minnesota Statutes 1988,~~ section 273.13, *and the market values* for ~~aids payable in 1990 and the net tax capacity rates listed in Minnesota Statutes 1989 Supplement, section 273.13, for aids payable in 1991 and subsequent years for all taxable property within the city based on the assessment two~~

~~years prior to that for which aids are being calculated,~~ *taxes payable in the year prior to the aid distribution* plus (2) a city's ~~levy on the~~ fiscal disparities distribution *tax capacity* under section 473F.08, subdivision 3 2, paragraph ~~(a)~~ *(b)*, for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing *city* net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The *city* net tax capacity will be computed using equalized market values.

Sec. 42. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 30. [CITY NET LEVY.] *"City net levy" means the city levy, after all adjustments, used for calculating the local tax rate under section 275.08 for taxes payable in the year before the aid distribution.*

Sec. 43. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 31. [PRE-1940 HOUSING PERCENTAGE.] *"Pre-1940 housing percentage" for a city is 100 times the most recent federal census count of all housing units in the city built before 1940, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.*

Sec. 44. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 32. [POPULATION DECLINE PERCENTAGE.] *"Population decline percentage" for a city is 100 times (1) the city's 1980 federal census population minus the most recent population estimate, divided by (2) the city's 1980 federal census population. A city's population decline percentage cannot be less than zero.*

Sec. 45. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 33. [COMMERCIAL INDUSTRIAL PERCENTAGE.] *"Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, divided by the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 473F.08. The market values used for this subdivision are not equalized.*

Sec. 46. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 34. [TRANSFORMED POPULATION.] *"Transformed population" for a city is the city population raised to the .3308 power, times 30.5485.*

Sec. 47. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 35. [CITY REVENUE NEED.] *(a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 3.462312 times the pre-1940 housing percentage; plus (2) 2.093826 times the commercial industrial percentage; plus (3) 6.862552 times the population decline percentage; plus (4) .00026 times the city population; plus (5) 152.0141.*

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 1.795919 times the pre-1940 housing percentage; plus (2) 1.562138 times the commercial industrial percentage; plus (3) 4.177568 times the population decline percentage; plus (4) 1.04013 times the transformed population; minus (5) 107.475.

(c) The city revenue need cannot be less than zero.

Sec. 48. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 36. [AVERAGE CITY NET TAX CAPACITY PER CAPITA.] *Average city net tax capacity per capita is the sum of city net tax capacity for all cities divided by the total population of all cities.*

Sec. 49. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 37. [REVENUE CAPACITY FACTOR.] *The revenue capacity factor for a city is one minus the ratio of the city net tax capacity per capita divided by two times the average city net tax capacity per capita. A city's revenue capacity factor cannot be less than zero.*

Sec. 50. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 8. [CITY AID INCREASE.] *In calendar years 1994, 1995, and 1996, the aid increase for a city is equal to the need increase percentage times the city's revenue need, times the city's population, times the city's revenue capacity factor. The need increase percentage must be the same for all cities and must be calculated by the department of revenue so that the total of the aid increases under this subdivision equals the total amount available for aid increases under subdivision 10. The aid increase in any calendar year for any city must not exceed ten percent of the city net levy for the year prior to the aid distribution.*

Sec. 51. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 9. [CITY AID DISTRIBUTION.] *In calendar year 1994, each city shall receive an aid distribution equal to the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, the amount of disparity reduction aid it received in calendar year 1993 under section 273.1398, subdivision 3, plus the city aid increase under subdivision 8. In 1995 and thereafter, each city shall receive the amount of aid it received under this subdivision in the year before the aid distribution, plus the city aid increase under subdivision 8.*

Sec. 52. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 10. [AMOUNT AVAILABLE FOR AID INCREASES.] *In calendar year 1994, the amount available for aid increases is $16,000,000.*''

Pages 65 and 66, delete section 42

Renumber the sections of article 1 in sequence and correct the internal references

Amend the title accordingly

Mr. Johnson, D.J. requested division of the amendment as follows:

First portion:

Pages 1 to 4, delete section 1

Page 50, delete section 29

Page 62, delete section 37

Pages 65 and 66, delete section 42

Renumber the sections of article 1 in sequence and correct the internal references

Amend the title accordingly

Second portion:

Page 50, after line 1, insert:

''Sec. 29. Minnesota Statutes 1992, section 273.1398, is amended by adding a subdivision to read:

Subd. 3a. [DISPARITY REDUCTION AID TO CITIES.] *Notwithstanding the provisions of subdivision 3 or section 275.08, subdivision 1d, the amount of disparity reduction aid for a city for aid payable in calendar year 1994 and thereafter is zero, and the local tax rate for taxes payable in 1994 and thereafter for a city shall not be adjusted under section 275.08, subdivision 1d. For purposes of this subdivision, city means a statutory or home rule charter city.*''

Page 65, after line 30, insert:

''Sec. 43. Minnesota Statutes 1992, section 477A.011, subdivision 1a, is amended to read:

Subd. 1a. [CITY.] ''City'' means a statutory or home rule charter city. ~~City also means a town having a population of 5,000 or more for purposes of the aid payable under section 477A.013, subdivision 3. Towns are not eligible to be treated as cities for purposes of aid payable under section 477A.013, subdivision 5, or the aid adjustment under section 477A.013, subdivision 7.~~

Sec. 44. Minnesota Statutes 1992, section 477A.011, subdivision 20, is amended to read:

Subd. 20. [CITY *NET* TAX CAPACITY.] ''City *net* tax capacity'' means (1) ~~23 percent of~~ the net tax capacity computed using the net tax capacity rates ~~listed~~ in ~~Minnesota Statutes 1988,~~ section 273.13, *and the market values* for ~~aids payable in 1990 and the net tax capacity rates listed in Minnesota Statutes 1989 Supplement, section 273.13, for aids payable in 1991 and subsequent years for all taxable property within the city based on the assessment two~~

~~years prior to that for which aids are being calculated,~~ *taxes payable in the year prior to the aid distribution* plus (2) a city's ~~levy on the~~ fiscal disparities distribution *tax capacity* under section 473F.08, subdivision ~~3~~ *2*, paragraph ~~(a)~~ *(b)*, for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing *city* net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The *city* net tax capacity will be computed using equalized market values.

Sec. 45. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 30. [CITY NET LEVY.] *"City net levy" means the city levy, after all adjustments, used for calculating the local tax rate under section 275.08 for taxes payable in the year before the aid distribution.*

Sec. 46. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 31. [PRE-1940 HOUSING PERCENTAGE.] *"Pre-1940 housing percentage" for a city is 100 times the most recent federal census count of all housing units in the city built before 1940, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.*

Sec. 47. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 32. [POPULATION DECLINE PERCENTAGE.] *"Population decline percentage" for a city is 100 times (1) the city's 1980 federal census population minus the most recent population estimate, divided by (2) the city's 1980 federal census population. A city's population decline percentage cannot be less than zero.*

Sec. 48. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 33. [COMMERCIAL INDUSTRIAL PERCENTAGE.] *"Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, divided by the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 473F.08. The market values used for this subdivision are not equalized.*

Sec. 49. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 34. [TRANSFORMED POPULATION.] *"Transformed population" for a city is the city population raised to the .3308 power, times 30.5485.*

Sec. 50. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 35. [CITY REVENUE NEED.] *(a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 3.462312 times the pre-1940 housing percentage; plus (2) 2.093826 times the commercial industrial percentage; plus (3) 6.862552 times the population*

decline percentage; plus (4) .00026 times the city population; plus (5) 152.0141.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 1.795919 times the pre-1940 housing percentage; plus (2) 1.562138 times the commercial industrial percentage; plus (3) 4.177568 times the population decline percentage; plus (4) 1.04013 times the transformed population; minus (5) 107.475.

(c) The city revenue need cannot be less than zero.

Sec. 51. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 36. [AVERAGE CITY NET TAX CAPACITY PER CAPITA.] *Average city net tax capacity per capita is the sum of city net tax capacity for all cities divided by the total population of all cities.*

Sec. 52. Minnesota Statutes 1992, section 477A.011, is amended by adding a subdivision to read:

Subd. 37. [REVENUE CAPACITY FACTOR.] *The revenue capacity factor for a city is one minus the ratio of the city net tax capacity per capita divided by two times the average city net tax capacity per capita. A city's revenue capacity factor cannot be less than zero.*

Sec. 53. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 8. [CITY AID INCREASE.] *In calendar years 1994, 1995, and 1996, the aid increase for a city is equal to the need increase percentage times the city's revenue need, times the city's population, times the city's revenue capacity factor. The need increase percentage must be the same for all cities and must be calculated by the department of revenue so that the total of the aid increases under this subdivision equals the total amount available for aid increases under subdivision 10. The aid increase in any calendar year for any city must not exceed ten percent of the city net levy for the year prior to the aid distribution.*

Sec. 54. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 9. [CITY AID DISTRIBUTION.] *In calendar year 1994, each city shall receive an aid distribution equal to the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, the amount of disparity reduction aid it received in calendar year 1993 under section 273.1398, subdivision 3, plus the city aid increase under subdivision 8. In 1995 and thereafter, each city shall receive the amount of aid it received under this subdivision in the year before the aid distribution, plus the city aid increase under subdivision 8.*

Sec. 55. Minnesota Statutes 1992, section 477A.013, is amended by adding a subdivision to read:

Subd. 10. [AMOUNT AVAILABLE FOR AID INCREASES.] *In calendar year 1994, the amount available for aid increases is $16,000,000."*

Renumber the sections of article 1 in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the first portion of the Hottinger amendment.

The roll was called, and there were yeas 35 and nays 29, as follows:

Those who voted in the affirmative were:

Anderson	Finn	Johnson, J.B.	Metzen	Ranum
Beckman	Flynn	Kiscaden	Moe, R.D.	Sams
Berg	Frederickson	Kroening	Morse	Samuelson
Bertram	Hanson	Langseth	Murphy	Solon
Chmielewski	Hottinger	Larson	Neuville	Stevens
Day	Janezich	Lesewski	Novak	Stumpf
Dille	Johnson, D.J.	Lessard	Pappas	Vickerman

Those who voted in the negative were:

Adkins	Chandler	Laidig	Olson	Riveness
Belanger	Cohen	Luther	Pariseau	Robertson
Benson, D.D.	Johnson, D.E.	Marty	Piper	Runbeck
Benson, J.E.	Johnston	McGowan	Pogemiller	Spear
Berglin	Knutson	Merriam	Price	Wiener
Betzold	Krentz	Mondale	Reichgott	

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 Hottinger amendment.

The roll was called, and there were yeas 23 and nays 40, as follows:

Those who voted in the affirmative were:

Adkins	Day	Hottinger	Lessard	Sams
Anderson	Dille	Johnson, J.B.	Merriam	Stumpf
Beckman	Finn	Langseth	Morse	Vickerman
Bertram	Frederickson	Larson	Murphy	
Chmielewski	Hanson	Lesewski	Novak	

Those who voted in the negative were:

Belanger	Flynn	Laidig	Olson	Riveness
Benson, D.D.	Janezich	Luther	Pappas	Robertson
Benson, J.E.	Johnson, D.E.	Marty	Pariseau	Runbeck
Berg	Johnson, D.J.	McGowan	Piper	Samuelson
Berglin	Johnston	Metzen	Pogemiller	Solon
Betzold	Kiscaden	Moe, R.D.	Price	Spear
Chandler	Knutson	Mondale	Ranum	Stevens
Cohen	Krentz	Neuville	Reichgott	Wiener

The motion did not prevail. So the second portion of the Hottinger amendment was not adopted.

RECONSIDERATION

Having voted on the prevailing side, Mrs. Pariseau moved that the vote whereby the second portion of the Benson, D.D. amendment to H.F. No. 1735 was not adopted on April 22, 1993, be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 28 and nays 34, as follows:

Those who voted in the affirmative were:

Anderson	Dille	Knutson	Morse	Reichgott
Belanger	Frederickson	Laidig	Neuville	Robertson
Benson, D.D.	Johnson, D.E.	Lesewski	Olson	Runbeck
Benson, J.E.	Johnson, J.B.	Marty	Pariseau	Spear
Berg	Johnston	McGowan	Piper	
Day	Kiscaden	Merriam	Price	

Those who voted in the negative were:

Adkins	Finn	Krentz	Murphy	Samuelson
Beckman	Flynn	Kroening	Novak	Solon
Berglin	Hanson	Larson	Pappas	Stevens
Bertram	Hottinger	Lessard	Pogemiller	Stumpf
Betzold	Janezich	Metzen	Ranum	Vickerman
Chandler	Johnson, D.J.	Moe, R.D.	Riveness	Wiener
Chmielewski	Kelly	Mondale	Sams	

The motion did not prevail.

Mr. Finn moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 243, after line 18, insert:

"Sec. 14. Minnesota Statutes 1992, section 471.15, is amended to read:

471.15 [RECREATIONAL FACILITIES.]

Any home rule charter or statutory city or any town, county, school district, or any board thereof, or any incorporated post of the American Legion or any other incorporated veterans' organization, may expend not to exceed $800 in any one year, for the purchase of awards and trophies and may operate a program of public recreation and playgrounds; acquire, equip, and maintain land, buildings, or other recreational facilities, including an outdoor or indoor swimming pool; and expend funds for the operation of such program pursuant to the provisions of sections 471.15 to 471.19. The city, town, county or school district may issue bonds pursuant to chapter 475 for the purpose of carrying out the powers granted by this section. The city, town, county or school district may operate the program and facilities directly or establish one or more recreation boards to operate all or various parts of them. *A home rule charter or statutory city, town, county, or school district may conduct no more than two raffles each year, as defined in section 349.12, subdivision 33, with the sum of all prizes not to exceed $100,000 in any year without complying with sections 349.11 to 349.213, for the purpose of carrying out the powers granted by this section.*"

Renumber the sections of article 13 in sequence and correct the internal references

Amend the title accordingly

Mr. Bertram questioned whether the amendment was germane.

The President ruled that the amendment was germane.

The question was taken on the adoption of the Finn amendment.

The roll was called, and there were yeas 30 and nays 34, as follows:

Those who voted in the affirmative were:

Adkins	Dille	Krentz	Moe, R.D.	Riveness
Beckman	Finn	Kroening	Mondale	Sams
Bertram	Hanson	Lesewski	Morse	Samuelson
Betzold	Janezich	Lessard	Murphy	Solon
Chmielewski	Johnson, D.J.	Luther	Novak	Stumpf
Cohen	Johnson, J.B.	Metzen	Pogemiller	Vickerman

Those who voted in the negative were:

Anderson	Flynn	Knutson	Neuville	Reichgott
Belanger	Frederickson	Laidig	Olson	Robertson
Benson, D.D.	Hottinger	Langseth	Pappas	Runbeck
Benson, J.E.	Johnson, D.E.	Larson	Pariseau	Spear
Berg	Johnston	Marty	Piper	Stevens
Chandler	Kelly	McGowan	Price	Wiener
Day	Kiscaden	Merriam	Ranum	

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

Mr. Belanger moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 65, after line 30, insert:

"Sec. 42. Minnesota Statutes 1992, section 473F.07, subdivision 1, is amended to read:

Subdivision 1. [AREAWIDE NET TAX CAPACITY.] Each county auditor shall certify the determinations under sections 473F.05 and 473F.06 to the administrative auditor on or before August 1 of each year.

The administrative auditor shall determine an amount *for each municipality* equal to 40 percent of the ~~sum of the amounts~~ *amount* certified under section 473F.06 *but not to exceed 15 percent of its total net tax capacity, provided that the 15 percent cap under this paragraph must not reduce the amount for a municipality below the amount for the previous year. This amount must be certified by the county auditor to the administrative auditor and used in lieu of the 40 percent amount, where appropriate, for purposes of section 473F.08, subdivisions 2 and 6.* The *sum of the* resulting ~~amount~~ *amounts* shall be known as the "areawide net tax capacity for .....(year)."""

Renumber the sections of article 1 in sequence and correct the internal references

Amend the title accordingly

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

Mr. Janezich moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 247, after line 12, insert:

"ARTICLE 15

VIDEO LOTTERY

Section 1. [DEFINITIONS.]

Subdivision 1. [BOARD.] *"Board" is the state lottery board.*

Subd. 2. [CREDIT.] *A "credit" has a cash value of 25 cents.*

Subd. 3. [DIRECTOR.] *"Director" is the director of the state lottery.*

Subd. 4. [LICENSED ESTABLISHMENT.] *"Licensed establishment" means an establishment licensed under Minnesota Statutes, chapter 340A, to sell, and engaged in the sale of intoxicating liquor for consumption on the premises where sold.*

Subd. 5. [LOTTERY.] *"Lottery" is the state lottery authorized in Minnesota Statutes, chapter 349A.*

Subd. 6. [NET MACHINE INCOME.] *"Net machine income" means money put into a video lottery machine minus credits paid out in cash.*

Subd. 7. [SERVICE EMPLOYEE.] *"Service employee" means an employee of an operator certified by the director to perform service, maintenance, and repair on video lottery machines.*

Subd. 8. [EPROM.] *"Eprom" means a computer chip that stores memory.*

Subd. 9. [VIDEO LOTTERY MACHINE.] *"Video lottery machine" or "machine" means an electronic video game machine that upon the insertion of a coin, token, or currency is available to simulate by video representation the play of pull-tabs utilizing a video display and microprocessors in which, by chance, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, or tokens.*

Subd. 10. [VIDEO LOTTERY MACHINE DISTRIBUTOR.] *"Video lottery machine distributor" means an individual, partnership, corporation, or association that distributes or sells video lottery machines or associated equipment in this state.*

Subd. 11. [VIDEO LOTTERY MACHINE MANUFACTURER.] *"Video lottery machine manufacturer" means an individual, partnership, corporation, or association that assembles or produces video lottery machines or associated equipment for sale or use in this state.*

Subd. 12. [VIDEO LOTTERY MACHINE OPERATOR.] *"Video lottery machine operator" means an individual, partnership, corporation, or association that places video lottery machines or associated equipment for public use in this state.*

Subd. 13. [VIDEO LOTTERY PROCUREMENT CONTRACT.] *"Video lottery procurement contract" means a contract to provide video lottery products, computer hardware, and software used to monitor the operation of video lottery machines.*

Sec. 2. [RULES.]

The director shall adopt rules under Minnesota Statutes, chapter 14, governing the following elements of video lottery:

(1) the number and types of video lottery locations;

(2) qualifications of licensed establishments, video lottery machine manufacturers, distributors, and operators and application procedures for licenses;

(3) investigation of licensees;

(4) appeal procedures for denial, suspension, or cancellation of licenses;

(5) compensation of licensees;

(6) accounting for and deposit of video lottery revenues by video lottery machine operators and licensed establishments;

(7) procedures for issuing video lottery procurement contracts and for the investigation of bidders on those contracts;

(8) payment of video lottery prizes;

(9) procedures needed to ensure the integrity and security of video lottery;

(10) specifications for video lottery machines, the components of the machines, and the central communication system used in the operation of the video lottery system; and

(11) other rules the director considers necessary for the efficient operation and administration of video lottery.

Before adopting a rule the director shall submit the rule to the board for its review and comment. In adopting rules under clause (10), the director shall take into consideration standards adopted in other jurisdictions.

Sec. 3. [GAME PROCEDURES.]

The director may adopt game procedures governing the game types, odds, or the price for operation of a video lottery machine. The adoption of game procedures under this section is not subject to Minnesota Statutes, chapter 14. Before adopting a game procedure under this section, the director shall submit the procedure to the board for its review and comment.

Sec. 4. [CRIMINAL HISTORY.]

The director may request the director of gambling enforcement to investigate all applicants for video lottery machine manufacturer, distributor, operator, and establishment licenses to determine their compliance with the requirements of section 15, subdivision 5. The director has access to all criminal history data compiled by the director of gambling enforcement on any person holding or applying for a video lottery machine manufacturer, distributor, operator, or establishment license.

Sec. 5. [VENDOR CONTRACTS.]

The director must comply with the requirements contained in Minnesota Statutes, section 349A.07, before entering into a video lottery procurement contract.

Sec. 6. [VIDEO LOTTERY MACHINE MANUFACTURERS, DISTRIBUTORS, OPERATORS, AND ESTABLISHMENTS.]

A person who is a a video lottery machine manufacturer, distributor, operator, or a licensed establishment, or who is applying to be a video lottery machine manufacturer, distributor, operator, or licensed establishment may not pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food or beverage, having an aggregate value of over $100 in any calendar year to the director, board member, employee of the lottery board, or to a member of the immediate family residing in the same household as that person.

Sec. 7. [REQUIREMENTS FOR LICENSED VIDEO LOTTERY MACHINES.]

A video lottery machine licensed under this article must:

(1) offer only games approved by the director;

(2) not have any means of manipulation that affect the random probabilities of winning a video lottery game; and

(3) have a minimum of one electronic or mechanical coin accepter that must be installed in each video lottery machine. A video lottery machine may also contain bill accepters for $1 bills, $5 bills, $10 bills, and $20 bills. The bill accepters may be for any single bill or combination of bills in the denominations listed in this clause. Approval letters and test reports of the coin and bill accepters from other state or federal jurisdictions may be submitted. However, all coin and bill accepters are subject to approval by the director.

Sec. 8. [LIMIT ON AMOUNT PLAYED AND AWARDS GIVEN.]

A video lottery machine must not allow more than $2 to be played on a game and must not award free games or credits in excess of the value of $125 per credit value of 25 cents played. The payback value of one credit must be at least 88 percent and not more than 95 percent of the value of the credit.

Sec. 9. [DISPLAY OF LICENSE FOR VIDEO LOTTERY MACHINE; CONFISCATION; VIOLATION.]

A video lottery machine must be licensed by the director before placement or operation on the premises of a licensed establishment. The machine must have the license prominently displayed on it. A machine that does not display the license required by this section is contraband and subject to confiscation by a law enforcement officer. A violation of this section is a misdemeanor.

Sec. 10. [APPLICATION FOR APPROVAL OF A VIDEO LOTTERY MACHINE.]

A manufacturer or distributor must not distribute a video lottery machine for placement in the state unless the machine has been approved by the director. A manufacturer may apply for approval of a video lottery machine or associated equipment while an application for the manufacturer's license is pending, provided that no machine or associated equipment may be distributed for placement until the license application has been approved.

Sec. 11. [EXAMINATION OF VIDEO LOTTERY MACHINES.]

The director must examine prototypes of video lottery machines of manufacturers seeking a license as required in this article. The director must require a manufacturer seeking examination and approval of a video lottery machine to pay the anticipated actual costs of the examination in advance and, after the completion of the examination, must refund overpayments or charge and collect amounts sufficient to reimburse the lottery for underpayment of actual costs. The director may contract for the examination of video lottery machines as required by this section.

Sec. 12. [TESTING OF VIDEO LOTTERY MACHINES.]

The director may require working models of a video lottery machine to be transported to a location the director designates for testing, examination, and

analysis. The manufacturer must pay all costs of testing, examination, analysis, and transportation of the machine models.

Sec. 13. [REPORT OF TEST RESULTS.]

After each test has been completed, the director must provide the machine manufacturer with a report that contains findings, conclusions, and pass/fail results. The report may contain recommendations for modifications to bring the machine into compliance with law and rules.

Sec. 14. [MODIFICATIONS TO PREVIOUSLY APPROVED MODELS.]

The machine manufacturer and distributor are responsible for the assembly and initial operation of a video lottery machine in the manner approved and specified in a license issued by the director. The manufacturer and distributor must not change the assembly or operational functions of a machine for placement in the state unless a request for modification has been approved by the director.

Sec. 15. [VIDEO LOTTERY MACHINE MANUFACTURERS, DISTRIBUTORS, OPERATORS, ESTABLISHMENTS; LICENSES; PROHIBITIONS.]

Subdivision 1. [LICENSE REQUIRED.] *A person must not engage in business as a video lottery machine manufacturer, distributor, operator, or licensed establishment in this state without a license from the director under this section.*

Subd. 2. [CONDITION ON LICENSED ESTABLISHMENTS.] *(a) As a condition of the issuance of a license under this article, a licensed establishment, which as of March 31, 1993, leases space in the licensed establishment to an organization licensed to conduct lawful gambling under Minnesota Statutes, chapter 349, must continue to lease space to a licensed organization for the duration of the license of the licensed establishment.*

(b) Any licensed establishment in which a video lottery machine is placed and operated must provide training to its employees for the recognition and prevention of compulsive gambling in accordance with standards established by the director

Subd. 3. [PROHIBITIONS.] *(a) A video lottery machine manufacturer must not sell, offer for sale, or furnish a video lottery machine for use in this state to a person who is not a video lottery machine distributor licensed by the director.*

(b) A video lottery machine distributor must not sell, offer for sale, or furnish a video lottery machine for use in the state to a person who is not a licensed video lottery machine operator.

(c) A video lottery machine operator must not lease or furnish a video lottery machine for use in this state to a licensed establishment that is not licensed by the director.

(d) A licensed establishment must not lease a video lottery machine from a person not licensed as a video lottery machine operator.

Subd. 4. [APPLICATION.] *(a) An application for a video lottery machine manufacturer, distributor, operator, or licensed establishment license must be accompanied by a corporate surety bond issued by a surety licensed to do*

business in this state in an amount determined by the director conditioned on compliance by the applicant with the provisions of the license. The bond required by this subdivision must be kept in full force during the period covered by the license.

(b) Upon receipt of the application, the bond in proper form, and payment of the license fee required under this section, the director must issue a license, in a form prescribed by the director, to the applicant unless the director determines that the applicant is otherwise unqualified. A refusal to issue a license is a contested case under Minnesota Statutes, sections 14.57 to 14.69.

(c) The license permits the applicant to whom it is issued to engage in business as a video lottery machine manufacturer, distributor, operator, or licensed establishment at the place of business shown in the application. The director must assign a license number to each licensee when the initial license is issued. The license number must be inscribed on all licenses issued to a manufacturer, distributor, operator, or licensed establishment.

Subd. 5. [QUALIFICATIONS.] *(a) A license may not be issued under this section to a video lottery machine manufacturer, distributor, operator, or licensed establishment that has as a partner, officer, director, other person in a supervisory or management position, or employee eligible to make sales on behalf of the applicant, a person who has either: (1) for a license for a video lottery machine operator or a licensed establishment, within the previous five years been convicted of a felony or gross misdemeanor, a crime involving fraud or misrepresentation, a gambling-related offense or owes $500 or more in delinquent taxes as defined in Minnesota Statutes, section 270.72; or (2) for a license for a video lottery manufacturer or distributor, fails to satisfy the requirements contained in Minnesota Statutes, section 299L.07, subdivision 3.*

(b) A video lottery machine operator must be a resident of this state and, if a partnership or corporation, the majority of ownership interests must be held by residents of this state.

(c) The director shall require that all service employees or other persons authorized to open a video lottery machine be fingerprinted. The director may charge a fee for the fingerprinting.

(d) The director may adopt rules to establish additional requirements to preserve the integrity and security of the lottery.

Subd. 6. [LICENSE FEES.] *The annual license fees for video lottery machine manufacturers, distributors, operators, and licensed establishments are:*

(1) $5,000 for a video lottery machine manufacturer's license;

(2) $5,000 for a video lottery machine distributor's license;

(3) $1,000 for a video lottery machine operator's license for up to 25 licensed machines and $100 per licensed machine thereafter; and

(4) $100 for a retailer at whose establishment a video lottery machine is located.

The fees collected in this subdivision shall be deposited in the lottery fund and used to pay for the costs of conducting background investigations for licensees.

A license issued under this section is not transferable or assignable without the express written consent of the director.

Subd. 7. [RECORDS.] *(a) Manufacturers, distributors, and operators of video lottery machines must maintain a record of all video lottery machines sold or purchased. The record must include:*

(1) the identity of the person or firm to whom the video lottery machine was sold;

(2) the identity of the person or firm from whom the video lottery machine was purchased;

(3) the registration number of the video lottery machine; and

(4) the date of sale.

(b) The invoice for each sale must be retained for at least three years after the sale is completed and a copy of the invoice is delivered to the director. For purposes of this subdivision, a sale is completed when the video lottery machine is physically delivered to the purchaser.

(c) Manufacturers and distributors must report monthly to the director, in a form the director prescribes, their sales of each type of video lottery machine. The director or the director of gambling enforcement may inspect or cause to have inspected the books, records, and other documents of a manufacturer or distributor at any reasonable time without notice and without a search warrant.

Subd. 8. [LOCAL LICENSE.] *No political subdivision may require a local license to operate a video lottery machine, restrict or regulate the placement of a video lottery machine, or impose a tax or fee on the operation of video lottery machine except as specifically permitted under section 28.*

Sec. 16. [INVESTIGATION FEE.]

The director may charge a nonrefundable investigation fee to a person applying for a license as a video lottery machine manufacturer, distributor, operator, or licensed establishment in an amount sufficient to cover the cost of making the investigation required by section 4. The director may also charge a nonrefundable fee for an annual investigation of a licensee. Any fee collected under this section must be deposited into the lottery fund.

Sec. 17. [MAINTENANCE LOG FORMS REQUIRED.]

A written maintenance log must be kept in the main cabinet access area of a video lottery machine. Every person, including lottery and law enforcement personnel, who gains entry into an internal space of a video lottery machine must sign the log, indicate the time and date of entry, indicate the mechanical meter readings, and list the area inspected or repaired. The maintenance log forms must be obtained from the director and retained by operators for a period of three years from the date of the last entry. The maintenance logs must be available for inspection by the director upon request.

Sec. 18. [KEYS TO MACHINES.]

An operator must provide to the director master keys in a number determined by the director for access to the main cabinet door and locked logic area of a machine placed in operation.

Sec. 19. [NOTIFICATION OF REPAIRS TO THE LOGIC AREA.]

A repair to the logic board or circuitry within the logic area must be reported by the operator to the director immediately upon completion of the repair. The operator must also submit a written report of the repair to the director within 24 hours. If a logic board is replaced, the report must include the serial number of the replacement board.

Sec. 20. [NOTIFICATION OF BROKEN SEALS ON LOGIC BOARD.]

The eproms on the logic board of a video lottery machine must be sealed by the lottery after initial inspection. An operator must inform the director in writing of a break or tear in the sealed tape noticed during routine maintenance checks that were not the result of a repair under section 19.

Sec. 21. [PAYMENT FOR CREDITS.]

(a) A licensed establishment must pay for all credits won in the operation of the video lottery machine upon presentment of a valid credit receipt displaying the credits awarded to the player. The establishment must not pay a player on the basis of a credit receipt that has been defaced or tampered with. Upon payment to the player, the establishment must immediately cancel the credit receipt in a manner that prevents its reuse.

(b) The licensed establishment is responsible for accounting for all disbursements paid for credits won by the player and must supply that information to the director and to the operator.

(c) The operator is responsible for accounting to the establishment and to the director the machine income and must remit to the director the state's percentage of net machine income within the time periods required.

(d) Notwithstanding Minnesota Statutes, section 349A.08, subdivision 8, the director shall not be required to report to the department of revenue the name, address, and social security number of a winner of a prize from the operation of a video lottery machine.

(e) The director, board member, an employee of the state lottery, or a member of the immediate family of the director, board member, or employee of the state lottery residing in the same household, may not play a game on a video lottery machine or receive a prize from a video lottery machine.

Sec. 22. [RESTRICTION ON PAYMENT OF CREDITS.]

A licensed establishment may redeem credit receipts only for credits awarded on video lottery machines located on its premises. A credit receipt must be presented for payment before the close of business on the date the credit receipt was printed. Neither the lottery nor the state is liable for the payment of credits on valid credit receipts. A credit receipt redeemed by a licensed establishment must be marked or defaced in a manner that prevents subsequent presentment and payment.

Sec. 23. [LIABILITY FOR MACHINE MALFUNCTION.]

Neither the lottery nor the state is responsible for a machine malfunction that causes credits to be wrongfully awarded or denied to players. The operator is solely responsible for a wrongful award or denial of credits. An operator's liability is limited to the number of credits for the game displayed

in the game rules and may not be greater than $1,000 for any succession of games played.

Sec. 24. [PROHIBITION.]

A distributor or operator of a video lottery machine must not also be a wholesale distributor of liquor or alcoholic beverages.

Sec. 25. [MULTIPLE TYPES OF LICENSES PROHIBITED.]

A video lottery machine manufacturer must not be licensed as a video lottery machine distributor or operator or own, manage, or control a licensed establishment. A video lottery machine distributor must not be licensed as a video lottery machine operator or own, manage, or control a licensed establishment. A video lottery machine operator must not be licensed as a video lottery machine manufacturer or distributor. An owner or manager of a licensed establishment must not be licensed as a video lottery machine manufacturer or distributor.

Sec. 26. [RULES FOR PLACEMENT OF VIDEO LOTTERY MACHINES; NUMBER LIMITED; SECURITY.]

Subdivision 1. [NUMBER OF MACHINES.] *A maximum of two video lottery machines may be placed in a licensed establishment. The placement of a video lottery machine in a licensed establishment is subject to the rules of the director.*

Subd. 2. [SECURITY.] *The licensed establishment is required to install a camera surveillance system.*

Sec. 27. [HOURS OF OPERATIONS OF MACHINES.]

A video lottery machine may be played only during the legal hours for on-sale consumption of alcoholic beverages as provided in Minnesota Statutes, chapter 340A.

Sec. 28. [VIDEO LOTTERY MACHINE INCOME; NET MACHINE INCOME TAX; PENALTIES.]

(a) The percentages of the net machine income required to be remitted to the director from the operation of a video lottery machine referred to in this section constitute a trust fund until paid to the director. The licensed establishment and the video lottery machine operator are jointly and severally liable for the state's share of the net machine income. In any claim for net machine income the state shall have priority for its share over any other claim.

(b) The state shall impose a tax on the net machine income in the amount of 30 percent. Of the tax imposed by the state, the director must remit to the state department of revenue from the lottery fund an amount equivalent to 2-1/2 percent of that tax which shall be directed to the commissioner of human services for the compulsive gambling treatment program as provided in Minnesota Statutes, section 245.98. Thirty-three percent of the tax imposed by the state shall be dedicated for property tax relief.

(c) Any organization licensed under Minnesota Statutes, chapter 349, and conducting lawful gambling in the licensed establishment is entitled to ten percent of the net machine income from the operation of a video lottery machine. A local statutory or home rule charter city or county may require by ordinance that the organization contribute up to ten percent of the amount of

net machine income the organization receives to a fund administered and regulated by the responsible local unit of government for disbursement by the responsible local unit of government for lawful purposes contributions or expenditures, as defined in Minnesota Statutes, section 349.12, subdivision 25, paragraph (a). If there is no organization conducting lawful gambling at the licensed establishment, the ten percent shall be remitted to the local statutory or home rule charter city or county in which the licensed establishment is located for the purpose of economic development within that jurisdiction.

(d) The tax imposed by the state and the percentage under paragraph (c) of net machine income must be reported and remitted to the director on the days determined by the director. The amount remitted to the director under this paragraph must be deposited into the lottery fund. The amount required to be remitted under paragraph (b) shall be included in the calculation of gross revenue under Minnesota Statutes, chapter 349A.

(e) An operator who falsely reports or fails to report the amount due as required by this section is guilty of a misdemeanor and is subject to termination of the operator's license.

(f) An operator must keep a record of net machine income in the form the director requires. A payment not remitted when due must be paid together with a penalty assessment on the unpaid balance at a rate of 1-1/2 percent per month.

(g) The operator of a video lottery machine shall be entitled to 70 percent of net machine income as commission. Any amount due an organization under paragraph (c) and to a licensed establishment under a location agreement shall be paid by the operator solely and exclusively from commission retained by the operator under this paragraph.

(h) Notwithstanding Minnesota Statutes, section 297A.02, sales of plays on a video lottery machine are exempt from the sales tax imposed in that section.

Sec. 29. [REMITTANCE THROUGH ELECTRONIC TRANSFER OF FUNDS.]

The operator of a video lottery machine must remit the state's percentage of net machine income and the amount required to be remitted under section 28, paragraph (c), through the electronic transfer of funds. The operator must furnish to the director all information and bank authorizations required to facilitate timely payment to the director. The operator must provide the director 30 days' advance notice of a proposed account change to ensure the uninterrupted electronic transfer of funds.

Sec. 30. [INTEREST ON LATE PAYMENT OR INSUFFICIENT FUNDS PAYMENT.]

An operator must maintain a balance in its account in an amount to cover the state's percentage of net machine income set forth in section 28. If an operator fails to maintain a balance in the account as required by this section, the director must assess interest at the rate of 1-1/2 percent per month on the unpaid balance. If an operator fails to remit full payment, including interest, before the next payment date, the director may disable the machine and prevent further play, suspend or revoke the operator's license, or impose a civil fine.

Sec. 31. [AUDIT TAPE.]

An operator must retain an audit tape that records an exact duplicate of tickets printed and transactions recorded in the video lottery machine. The audit tape must be kept for a period of three years, identified by machine, and stored in a secure area.

Sec. 32. [INCOME RECORD KEEPING.]

An operator must keep accurate records of net machine income generated from a machine. The director must prepare and mail to the operator a statement reflecting the net machine income and the state's percentage of that amount before the date payment is remitted through the electronic transfer of funds. An operator must report to the director any discrepancies in net machine income between the lottery's statement and a machine's mechanical and electronic meter readings. The director is not responsible for resolving discrepancies in net machine income between actual money collected and the amount shown on the accounting meters or billing statement. In the event of a discrepancy, the operator must submit to the director information, including, without limitation, current mechanical meter readings and the audit ticket that contains electronic meter readings generated by the machine's software, necessary to resolve the discrepancy.

Sec. 33. [REQUEST FOR REPORTS.]

An operator may request, and the director must supply to the extent available, additional reports on play transactions of a video lottery machine and other marketing information not considered confidential by the director. The director may charge a fee for the cost of producing and mailing the reports and information.

Sec. 34. [REVOCATION, SUSPENSION, AND REFUSAL TO RENEW LICENSES.]

(a) The director must revoke the license of a video lottery machine manufacturer, distributor, operator, or licensed establishment that:

(1) for an operator of a licensed establishment, has been convicted of a felony, gross misdemeanor, or a gambling-related offense within the previous five years, or, for a video lottery machine manufacturer or distributor, has been convicted of a gambling-related offense at any time;

(2) has provided false or misleading information to the division;

(3) fails to comply with section 15, subdivision 2; or

(4) for a video lottery manufacturer or distributor, fails to comply with the requirements in Minnesota Statutes, section 299L.07, subdivision 3.

(b) The director may revoke, suspend, or refuse to renew the license of a video lottery machine manufacturer, distributor, operator, or licensed establishment that:

(1) fails to remit funds to the director in accordance with the director's rules;

(2) violates a law or a rule or order of the director;

(3) fails to comply with any of the terms in the license;

(4) fails to comply with bond requirements under section 15, subdivision 4; or

(5) has violated Minnesota Statutes, section 340A.503, subdivision 2, clause (1), two or more times within a two-year period.

(c) The director may also revoke, suspend, or refuse to renew a license of a video lottery machine manufacturer, distributor, operator, or licensed establishment if there is a material change in any of the factors considered by the director under section 15, subdivision 5.

(d) A license cancellation, suspension, or refusal to renew under this subdivision is a contested case under Minnesota Statutes, sections 14.57 to 14.69, and is in addition to any criminal penalties provided for a violation of law or rule.

(e) The director may temporarily suspend a license without notice for any of the reasons specified in this section provided that a hearing is conducted within seven days after a request for a hearing is made by a licensee. Within 20 days after receiving the administrative law judge's report, the director shall issue an order vacating the temporary suspension or making any other appropriate order. If no hearing is requested within 30 days of the temporary suspension taking effect, the director may issue an order making the suspension permanent.

Sec. 35. [FRAUD.]

A person is guilty of a gross misdemeanor if the person does any of the following with intent to defraud the state lottery:

(1) alters or counterfeits a credit receipt from a video lottery machine;

(2) knowingly presents an altered or counterfeited credit receipt from a video lottery machine for payment;

(3) knowingly transfers an altered or counterfeited credit receipt from a video lottery machine to another person;

(4) tampers with or manipulates the outcome, prize payable, or operation of a video lottery machine; or

(5) otherwise claims a video lottery prize by means of fraud, deceit, or misrepresentation.

Sec. 36. [GAMBLING DEVICE; VIDEO LOTTERY DEVICE.]

Subdivision 1. [VIDEO LOTTERY DEVICE.] *Notwithstanding Minnesota Statutes, section 349A.13, clause (2), this article authorizes the director to install or operate a video lottery device operated by coin or currency which when operated determines the winner of a game.*

Subd. 2. [GAMBLING DEVICE.] *Notwithstanding Minnesota Statutes, section 609.75, subdivision 4, a gambling device does not include a video lottery machine operated by the state lottery under this article.*

Subd. 3. [VIDEO LOTTERY MACHINE.] *Minnesota Statutes, sections 609.755 and 609.76, do not prohibit the manufacture, sale, placement, or operation of a video lottery machine under this article.*

Sec. 37. [AGE.]

(a) A licensed establishment must not allow a person under the age of 21 to operate a video lottery machine.

(b) A person under the age of 21 must not operate a video lottery machine.

(c) It is an affirmative defense under paragraph (a) for the licensed establishment to prove by a preponderance of the evidence that the licensed establishment reasonably and in good faith relied on representation of proof of age described in Minnesota Statutes, section 340A.503, subdivision 6, in allowing the operation of the video lottery machine.

Sec. 38. [SERVICE AND REPAIR; TRAINING.]

(a) A video lottery machine must not be placed in operation in the state until training that has been approved by the director in the service and repair of the machine has taken place as hereafter provided.

(b) A manufacturer or distributor must provide training in the service and repair of each machine model approved by the director.

(c) A video lottery machine must not be placed in operation in the state until the manufacturer or distributor has provided the required training in the service and repair of the machine model approved by the director.

(d) A manufacturer or distributor must provide the training to the operator and its service employees and must certify to the director that the required training has been completed.

(e) A manufacturer or distributor must provide subsequent training programs to inform operators of new developments in the service and repair of its machines.

(f) A manufacturer or distributor must inform the director of the names of operators and service employees who attend and successfully complete each training program. The director must issue a certificate to each person certified signifying that the person is certified to service and repair video lottery machines of the particular manufacturer and model.

Sec. 39. [MAINTENANCE OF VIDEO LOTTERY MACHINES.]

Video lottery machines must be serviced and maintained in a manner and condition approved by the director.

Sec. 40. [INSPECTIONS.]

Manufacturers, distributors, operators, and licensed establishments must provide immediate access to all records and the physical premises of the business for inspection at the request of the director.

Sec. 41. [TELEPHONE LINES.]

The operator of a video lottery machine is responsible for the installation, operation, and funding of telephone lines into a licensed establishment as required by the director to provide direct communication between the machine and the central computer operated by the lottery.

Sec. 42. [LOCATION AGREEMENTS.]

(a) A video lottery machine operator must have a location agreement that is approved by the director with the licensed establishment providing at least the following:

(1) designation of the location where the video lottery machine is to be placed for use by the public; and

(2) provision for the share in revenue generated from net machine income to be apportioned to the operator and to the licensed establishment.

(b) A copy of the location agreement must be retained by the operator and the licensed establishment and be available for review and inspection by the director.

(c) The location agreement may contain other terms and conditions agreed to by the operator and licensed establishment.

Sec. 43. [REPEALER.]

This article is repealed August 1, 1995.

Sec. 44. [EFFECTIVE DATE.]

Article 15 is effective the day following final enactment."

Amend the title accordingly

Mr. Johnson, D.J. questioned whether the amendment was germane.

The President ruled that the amendment was germane.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 19 and nays 45, as follows:

Those who voted in the affirmative were:

Adkins	Chmielewski	Kroening	McGowan	Stevens
Beckman	Hanson	Laidig	Metzen	Stumpf
Benson, D.D.	Janezich	Lesewski	Samuelson	Vickerman
Bertram	Johnson, D.E.	Lessard	Solon	

Those who voted in the negative were:

Anderson	Dille	Kiscaden	Mondale	Price
Belanger	Finn	Knutson	Morse	Ranum
Benson, J.E.	Flynn	Krentz	Murphy	Reichgott
Berg	Frederickson	Langseth	Neuville	Riveness
Berglin	Hottinger	Larson	Novak	Robertson
Betzold	Johnson, D.J.	Luther	Olson	Runbeck
Chandler	Johnson, J.B.	Marty	Pappas	Sams
Cohen	Johnston	Merriam	Pariseau	Spear
Day	Kelly	Moe, R.D.	Piper	Wiener

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

Mr. Merriam moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Pages 72 and 73, delete section 50

Renumber the sections of article 1 in sequence and correct the internal references

Amend the title accordingly

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

Mr. Merriam then moved to amend H.F. No. 1735, as amended by the Senate April 22, 1993, as follows:

(The text of the amended House File is identical to S.F. No. 408.)

Page 82, delete section 3

Page 83, delete lines 20 and 21

Renumber the sections of article 3 in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 1735 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 45 and nays 21, as follows:

Those who voted in the affirmative were:

Adkins	Cohen	Johnson, J.B.	Merriam	Price
Anderson	Dille	Kelly	Metzen	Ranum
Beckman	Flynn	Krentz	Moe, R.D.	Reichgott
Belanger	Frederickson	Laidig	Mondale	Riveness
Benson, D.D.	Hanson	Langseth	Morse	Sams
Berg	Hottinger	Larson	Novak	Spear
Berglin	Janezich	Lesewski	Pappas	Stumpf
Betzold	Johnson, D.E.	Luther	Piper	Vickerman
Chandler	Johnson, D.J.	Marty	Pogemiller	Wiener

Those who voted in the negative were:

Benson, J.E.	Johnston	McGowan	Pariseau	Stevens
Bertram	Kiscaden	Murphy	Robertson	
Chmielewski	Knutson	Neuville	Runbeck	
Day	Kroening	Oliver	Samuelson	
Finn	Lessard	Olson	Solon	

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

MOTIONS AND RESOLUTIONS – CONTINUED

Mr. Johnson, D.J. moved that S.F. No. 408, on General Orders, be stricken and laid on the table. The motion prevailed.

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 Senate Bills.

REPORTS OF COMMITTEES

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

Ms. Reichgott from the Committee on Judiciary, to which was re-referred

S.F. No. 1332: A bill for an act relating to children; providing time periods for permanent dispositions involving children in need of protection or services; limiting multiple foster care placements; defining special efforts for relative searches; establishing standards for a finding of abandonment; amending Minnesota Statutes 1992, sections 257.071, by adding subdivisions; 257.072, subdivision 1, and by adding a subdivision; 259.455;

260.191, subdivisions 1d, 2, and by adding subdivisions; and 260.221, subdivision 1.

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

Page 1, after line 12, insert:

"Section 1. [257.0651] [COMPLIANCE WITH INDIAN CHILD WELFARE ACT.]

Sections 257.03 to 257.075 must be construed consistently with the Indian Child Welfare Act of 1978, United States Code, title 25, sections 1901 to 1963."

Pages 1 and 2, delete section 2 and insert:

"Sec. 3. Minnesota Statutes 1992, section 257.071, subdivision 3, is amended to read:

Subd. 3. [REVIEW OF VOLUNTARY PLACEMENTS.] Subject to the provisions of subdivisions 3 and 4, if the child has been placed in a residential facility pursuant to a voluntary release by the parent or parents, and is not returned home within ~~12~~ *six* months after initial placement in the residential facility, the social service agency responsible for the placement shall:

(a) Return the child to the home of the parent or parents; or

(b) File an appropriate petition pursuant to section 260.131, subdivision 1, or 260.231, and if the petition is dismissed, petition the court within two years, pursuant to section 260.131, ~~subdivision 1a, to determine if the placement is in the best interests of the child~~.

The case plan must be updated when a petition is filed and must include a specific plan for permanency.

Sec. 4. Minnesota Statutes 1992, section 257.071, is amended by adding a subdivision to read:

Subd. 8. [RULES ON REMOVAL OF CHILDREN.] *The commissioner shall adopt rules establishing criteria for removal of children from their homes.*"

Page 2, line 28, before the period, insert "*and for recruiting foster and adoptive families of the same racial or ethnic heritage as the child*" and after "*standards*" insert "*for relative placements*"

Page 2, after line 30, insert:

"Sec. 7. Minnesota Statutes 1992, section 259.28, is amended by adding a subdivision to read:

Subd. 3. [COMPLIANCE WITH INDIAN CHILD WELFARE ACT.] *The provisions of this chapter must be construed consistently with the Indian Child Welfare Act of 1978, United States Code, title 25, sections 1901 to 1963.*"

Page 3, after line 10, insert:

"Sec. 9. [260.157] [COMPLIANCE WITH INDIAN CHILD WELFARE ACT.]

The provisions of this chapter must be construed consistently with the Indian Child Welfare Act of 1978, United States Code, title 25, sections 1901 to 1963.''

Page 4, line 21, before ''*for*'' insert ''*(a)*''

Page 4, line 27, after ''*priority*'' insert a comma and after '' *interests*'' insert ''*and subject to section 260.181, subdivision 3*''

Page 4, line 32, before ''*The*'' insert ''*(b)*

Page 5, line 5, delete everything after the period

Page 5, delete lines 6 to 28 and insert:

''Sec. 14. Minnesota Statutes 1992, section 260.192, is amended to read:

260.192 [DISPOSITIONS; VOLUNTARY FOSTER CARE PLACEMENTS.]

Upon a petition for review of the foster care status of a child, the court may:

(a) Find that the child's needs are being met ~~and~~, that the child's placement in foster care is in the best interests of the child *and that the child will be returned to the parent's care in the next six months*, in which case the court shall approve the voluntary arrangement *and continue the matter for six months to assure the child returns to the parent's home*. ~~The court shall order the social service agency responsible for the placement to bring a petition pursuant to either section 260.131, subdivision 1 or section 260.131, subdivision 1a, as appropriate, within two years if court review was pursuant to section 257.071, subdivision 3 or 4, or within one year if court review was pursuant to section 257.071, subdivision 2.~~

(b) Find that the child's needs are not being met, in which case the court shall order the social service agency or the parents to take whatever action is necessary and feasible to meet the child's needs, including, when appropriate, the provision by the social service agency of services to the parents which would enable the child to live at home, and shall order an administrative review of the case again within six months and a review by the court within one year.

(c) Find that the child has been abandoned by parents financially or emotionally, or that the developmentally disabled child does not require out-of-home care because of the handicapping condition, in which case the court shall order the social service agency to file an appropriate petition pursuant to sections 260.131, subdivision 1, or 260.231.

Nothing in this section shall be construed to prohibit bringing a petition pursuant to section 260.131, subdivision 1 or 2, sooner than required by court order pursuant to this section.''

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 8, after the first comma, insert ''subdivision 3, and'' and delete ''subdivisions'' and insert ''a subdivision''

Page 1, line 9, after the semicolon, insert ''259.28, by adding a subdivision;''

Page 1, line 11, after the semicolon, insert ''260.192;'' and before the period, insert ''; proposing coding for new law in Minnesota Statutes, chapters 257; and 260''

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

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

S.F. No. 673: A bill for an act relating to human services; modifying provisions dealing with the administration, computation, and enforcement of child support; imposing penalties; appropriating money; amending Minnesota Statutes 1992, sections 136A.121, subdivision 2; 144.4175, subdivision 4; 214.101, subdivision 1; 256.87, subdivisions 1, 1a, 3, and 5; 256.978; 256.979, by adding subdivisions; 256.9791, subdivisions 3 and 4; 257.66, subdivision 3; 257.67, subdivision 3; 257.69, subdivision 1; 518.14; 518.171, subdivisions 1, 2, 3, 4, 6, 7, 8, 10, and by adding a subdivision; 518.24; 518.54, subdivision 4; 518.551, subdivisions 1, 5, 5b, 7, 10, and 12; 518.57, subdivision 1, and by adding a subdivision; 518.611, subdivision 4; 518.613, subdivision 1; 518.64, subdivisions 1, 2, 5, and 6; 541.04; 548.09, subdivision 1; 548.091, subdivision 3a; 550.01; 588.20; 595.02, subdivision 1; 609.375, subdivisions 1 and 2; and 626.556, subdivisions 3 and 8; proposing coding for new law in Minnesota Statutes, chapters 256; and 518; repealing Minnesota Statutes 1992, sections 256.979; and 609.37.

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

Page 9, line 10, delete "INCENTIVE" and insert "REIMBURSEMENT" and delete "*An incentive*" and insert "*A fee*"

Page 9, line 14, delete "*bonus*" and insert "*fee*"

Page 9, line 18, after "*payment*" insert "*of $25*"

Page 9, after line 28, insert:

"*(f) Payments will be made to the medical provider within the limit of available appropriations.*"

Page 12, line 28, delete "*retained*" and insert "*deposited*" and after "*revenue*" insert "*in the state treasury and credited to the general fund*"

Page 12, line 29, after "*or*" insert "*retained*"

Page 52, line 23, delete "*bonus*" and insert "*fee*"

Page 52, after line 24, insert:

"*Subd. 4. $714,000 in fiscal year 1994 and $730,000 in fiscal year 1995 is appropriated from the general fund to the commissioner of human services to provide paternity establishment bonuses to counties.*

Subd. 5. $677,000 in fiscal year 1994 and $1,129,000 in fiscal year 1995 is appropriated from the general fund to the commissioner of human services to provide child support order review bonuses to counties.

Subd. 6. $250,000 is appropriated in fiscal year 1994 and $250,000 in fiscal year 1995 to the commissioner of revenue for the arrearage collection pilot project.

Subd. 7. $47,000 in fiscal year 1994 and $38,000 in fiscal year 1995 is appropriated from the general fund to the commissioner of human services to

fund one full-time position and one part-time position and for systems-related costs.

Subd. 8. $100,000 is appropriated in fiscal year 1994 for a study of a single-check system for child support payments."

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. 1496: A bill for an act relating to health care and family services; the organization and operation of state government; appropriating money for human services, health, and other purposes with certain conditions; establishing and modifying certain programs; providing penalties; appropriating money; amending Minnesota Statutes 1992, sections 62A.045; 144.122; 144.123, subdivision 1; 144.215, subdivision 3; 144.226, subdivision 2; 144.3831, subdivision 2; 144.802, subdivision 1; 144.98, subdivision 5; 144A.071; 144A.073, subdivisions 2, 3, and by adding a subdivision; 147.01, subdivision 6; 147.02, subdivision 1; 148C.01, subdivisions 3 and 6; 148C.02; 148C.03, subdivisions 1, 2, and 3; 148C.04, subdivisions 2, 3, and 4; 148C.05, subdivision 2; 148C.06; 148C.11, subdivision 3, and by adding a subdivision; 149.04; 157.045; 198.34; 214.04, subdivision 1; 214.06, subdivision 1, and by adding a subdivision; 245.464, subdivision 1; 245.466, subdivision 1; 245.474; 245.4873, subdivision 2; 245.652, subdivisions 1 and 4; 246.02, subdivision 2; 246.151, subdivision 1; 246.18, subdivision 4; 252.025, subdivision 4, and by adding subdivisions; 252.275, subdivision 8; 252.50, by adding a subdivision; 253.015, subdivision 1, and by adding subdivisions; 253.202; 254.04; 254.05; 254A.17, subdivision 3; 256.015, subdivision 4; 256.025, subdivisions 1, 2, 3, and 4; 256.73, subdivisions 2, 3a, 5, and 8; 256.736, subdivisions 10, 10a, 14, 16, and by adding a subdivision; 256.737, subdivisions 1, 1a, 2, and by adding subdivisions; 256.74, subdivision 1; 256.78; 256.9657, subdivisions 1, 2, 3, 4, 7, and by adding subdivisions; 256.9685, subdivision 1; 256.969, subdivisions 1, 8, 9, as amended, and 22, as amended; 256.9695, subdivision 3; 256.983, subdivision 3; 256B.042, subdivision 4; 256B.055, subdivision 1; 256B.056, subdivisions 1a and 2; 256B.0575; 256B.059, subdivisions 3 and 5; 256B.0595, subdivisions 1, 2, 3, and 4; 256B.0625, subdivisions 13, 13a, 15, 17, 25, 28, 29, and by adding subdivisions; 256B.0913, subdivision 5; 256B.0915, subdivision 3; 256B.15, subdivisions 1 and 2; 256B.19, subdivision 1b, and by adding subdivisions; 256B.37, subdivisions 3, 5, and by adding a subdivision; 256B.421, subdivision 14; 256B.431, subdivisions 2b, 2o, 13, 14, 15, 21, and by adding subdivisions; 256B.432, by adding a subdivision; 256B.48, subdivision 1; 256B.50, subdivision 1b, and by adding subdivisions; 256B.501, subdivisions 1, 3g, 3i, and by adding a subdivision; 256D.03, subdivisions 3, 4, and 8; 256D.05, by adding a subdivision; 256D.051, subdivisions 1, 1a, 2, 3, and 6; 256D.35, subdivision 3a; 256D.44, subdivisions 2 and 3; 256F.06, subdivision 2; 256I.01; 256I.02; 256I.03, subdivisions 2, 3, and by adding subdivisions; 256I.04, subdivisions 1, 2, 3, and by adding subdivisions; 256I.05, subdivisions 1, 1a, 8, and by adding a subdivision; 256I.06; 257.3573, by adding a subdivision; 257.54; 257.541; 257.55, subdivision 1; 257.57, subdivision 2; 257.73, subdivision 1; 257.74, subdivision 1; 259.431, subdivision 5; 273.1392; 273.1398, subdivision 5b; 275.07, subdivision 3; 326.44; 326.75, subdivision 4; 388.23, subdivision 1; 393.07, subdivisions 3 and 10; 518.156, subdivision

1; 518.551, subdivision 5; 518.64, subdivision 2; 609.821, subdivisions 1 and 2; 626.559, by adding a subdivision; Laws 1991, chapter 292, article 6, section 57, subdivisions 1 and 3; and Laws 1992, chapter 513, article 7, section 131; proposing coding for new law in Minnesota Statutes, chapters 136A; 245; 246; 256; 256B; 256E; 256F; 257; and 514; proposing coding for new law as Minnesota Statutes, chapters 246B; and 252B; repealing Minnesota Statutes 1992, sections 144A.071, subdivisions 4 and 5; 148B.72; 256.985; 256I.03, subdivision 4; 256I.05, subdivisions 4, 9, and 10; 256I.051; 273.1398, subdivisions 5a and 5c.

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

Page 5, line 26, before the period, insert ", wherever possible"

Page 7, line 1, delete "expended" and insert "June 30, 1994"

Page 9, delete lines 24 to 35 and insert:

"$600,000 is transferred from the medical assistance account to the community social services act grant account."

Page 12, line 52, after "recommendations" insert "for the 1994-95 biennium"

Page 12, line 57, after "services" insert ", including resources for community placements and waivered services for persons with mental retardation and related conditions,"

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

Page 70, line 8, after "DOWNSIZING" insert "PILOT PROJECT"

Page 70, line 9, before "*The*" insert "*(a)*"

Page 70, line 11, after "*needs*" insert "*who, in the absence of these services, would require placement in more restrictive settings*"

Page 70, line 19, delete "*program*"

Page 70, line 20, delete "*subpart 3,*"

Page 70, line 22, before "*For*" insert:

"*(b) The facility's aggregate investment-per-bed limit in effect before downsizing must be the facility's investment-per-bed limit after downsizing. The facility's total revenues after downsizing must not increase as a result of the downsizing project. The facility's total revenues before downsizing are determined by multiplying the payment rate in effect the day before the downsizing is effective by the number of resident days for the reporting year preceding the downsizing project.*"

Page 70, line 28, after the period, insert:

"*(c)*"

Page 71, line 2, before "*The*" insert "*(a)*"

Page 71, line 15, delete "*program*"

Page 71, lines 16 and 17, delete "*subpart 3,*"

Page 71, delete lines 18 to 21

Page 71, line 22, delete everything before "*For*" and insert:

"*(b) The facility's aggregate investment-per-bed limit in effect before downsizing must be the facility's investment-per-bed limit after downsizing. The facility's total revenues after downsizing must not increase as a result of the downsizing project. The facility's total revenues before downsizing are determined by multiplying the payment rate in effect the day before the downsizing is effective by the number of resident days for the reporting year preceding the downsizing project.*"

Page 71, line 25, before the period, insert "*, section 2*"

Page 71, line 27, before "*The*" insert "*(a)*"

Page 72, line 3, delete "*program*"

Page 72, line 4, delete "*subpart 3,*"

Page 72, delete lines 6 to 10 and insert:

"*(b) The facility's aggregate investment-per-bed limit in effect before downsizing must be the facility's investment-per-bed limit after downsizing. The facility's total revenues after downsizing must not increase as a result of the downsizing project. The facility's total revenues before downsizing are determined by multiplying the payment rate in effect the day before the downsizing is effective by the number of resident days for the reporting year preceding the downsizing project.*"

Page 72, lines 13 and 32, before the period, insert "*, section 2*"

Page 72, line 15, before "*The*" insert "*(a)*"

Page 72, line 27, delete "*program*"

Page 72, line 29, delete "*subpart 3,*" and after the period, insert:

"*(b) The facility's aggregate investment-per-bed limit in effect before downsizing must be the facility's investment-per-bed limit after downsizing. The facility's total revenues after downsizing must not increase as a result of the downsizing project. The facility's total revenues before downsizing are determined by multiplying the payment rate in effect the day before the downsizing is effective by the number of resident days for the reporting year preceding the downsizing project.*"

Page 86, line 17, after "*calendar*" insert "*year*"

Page 88, line 33, after the comma, insert "*and*"

Page 91, line 9, delete "*defendant(s)*" and insert "*defendants*"

Page 94, line 15, strike "(a)"

Page 96, line 6, reinstate the stricken "256B.14" and delete "*256B.15*"

Page 99, lines 2 and 3, strike "long-term care" and insert " *medical assistance*"

Page 99, lines 5 and 6, strike "long-term care" and insert " *medical assistance*"

Page 139, line 29, delete "*(c)*" and insert "*(d)*"

Page 142, line 11, after "*services*" insert "*identified as*"

Page 150, line 15, delete "*defendant(s)*" and insert "*defendants*"

Page 163, delete line 28

Page 163, line 29, before "*The*" insert "*Subd. 5.* [REPORT.]"

Page 163, line 36, delete "*144A.071, subdivisions 4*" and insert "*252.478*"

Page 164, line 1, delete "*and 5, are*" and insert "*is*"

Renumber the sections of article 6 in sequence

Page 189, line 12, delete "*month*" and insert "*months*"

Page 194, delete section 24

Page 197, lines 23 and 27, delete "*health maintenance organization*" and insert "*prepaid provider*"

Page 197, line 29, after "*shall*" insert "*assist the recipient to appeal the prepaid provider's denial pursuant to section 256.045, and may*"

Page 197, line 34, delete "*is*" and insert "*are*"

Page 197, line 35, before the period, insert ", *and which were determined to be medically necessary as a result of an appeal pursuant to section 256.045*"

Page 197, line 36, delete "*county*" and insert "*mental health provider*" and before "*provider's*" insert "*prepaid*"

Page 198, line 3, delete everything after the comma and insert "*or an appeal results in a determination that the services were not medically necessary, the county may not seek reimbursement from the prepaid provider.*"

Page 198, delete lines 4 to 8

Page 198, line 28, delete "*There*" and insert "*there*"

Page 198, line 29, delete the period and insert "*; and*"

Page 198, line 30, delete "*For*" and insert "*for*"

Page 199, line 3, delete "*clause*" and insert "*paragraph*"

Page 199, line 11, delete "*6*" and insert "*7*"

Page 200, line 10, delete "*6*" and insert "*7*"

Page 207, lines 14 and 16, delete the comma and insert a semicolon

Page 210, line 34, delete the comma

Page 217, line 24, delete "*clause*" and insert "*paragraph*"

Page 222, line 31, delete the comma

Page 225, line 7, after "*provider*" insert a comma

Page 233, line 6, delete "*3a*" and insert "*1c, paragraph (d)*"

Page 240, after line 18, insert:

"Sec. 67. Minnesota Statutes 1992, section 388.23, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The county attorney, or any deputy or assistant county attorney whom the county attorney authorizes in writing, has the authority to subpoena and require the production of any records of telephone companies, cellular phone companies, paging companies, electric companies, gas companies, water utilities, chemical suppliers, hotels and motels, airlines, buses, taxis, and other entities engaged in the business of transporting people, and freight companies, warehousing companies, package delivery companies, and other entities engaged in the businesses of transport, storage, or delivery, and records of the existence of safe deposit box account numbers and customer savings and checking account numbers maintained by financial institutions and safe deposit companies, *insurance records relating to the monetary payment or settlement of claims, and wage and employment records of an applicant or recipient of public assistance who is the subject of a welfare fraud investigation relating to eligibility information for public assistance programs*. Subpoenas may only be issued for records that are relevant to an ongoing legitimate law enforcement investigation *or welfare fraud investigation and there is probable cause that a crime has been committed. This provision applies only to the records of business entities and does not extend to private individuals or their dwellings. Subpoenas may only be served by peace officers as defined by section 626.84, subdivision 1, paragraph (c)*."

Page 252, line 4, delete "*(a)*"

Page 252, line 5, delete "*and 9*" and insert "*, 9, and 10*"

Page 252, delete lines 7 and 8

Page 252, line 12, delete "*24*" and insert "*67*"

Page 252, line 14, delete "*61 to 67*" and insert "*60 to 66*"

Page 252, line 15, delete "*67*" and insert "*66*"

Page 252, line 17, delete "*45*" and insert "*44*"

Page 252, lines 19 and 20, delete "*28, and 40 to 44, and 46 to 59*" and insert "*27, 39 to 43, and 45 to 58*"

Page 252, line 25, delete "*35 to 37*" and insert "*34 to 36*"

Renumber the sections of article 7 in sequence

Page 263, line 3, delete "*family*" and insert "*families*"

Page 265, line 11, delete ", *33, and 34,*" and insert "*to 34*"

Page 270, line 34, after "*9520.0926*" insert a comma

Page 271, lines 11, 21, and 32, after "*9520.0926*" insert a comma

Page 272, line 3, after "*9520.0926*" insert a comma

Page 273, line 6, delete "*245.495*" and insert "*245.496*"

Page 279, lines 29 and 34, after "*state-operated*" insert a comma

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. 1251: 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; fixing and limiting accounts and fees; defining highway purpose; changing the county state-aid fund apportionment formula and the composition of the screening board; increasing motor fuel tax rate and requiring annual rate adjustment; increasing motor vehicle excise tax rate and transferring proceeds to transit assistance fund; amending Minnesota Statutes 1992, sections 11A.21, subdivision 1; 161.081; 161.39, by adding a subdivision; 162.02, subdivisions 7, 8, and by adding a subdivision; 162.07, subdivisions 1, 5, and 6; 169.121, subdivision 7; 169.123, subdivision 5a; 171.02, subdivision 1; 171.06, subdivision 2; 171.11; 171.22, subdivision 1; 174.02, by adding a subdivision; 174.32, subdivision 2; 296.02, subdivisions 1a, 1b, and by adding a subdivision; 296.025, subdivision 1a; 297B.02, subdivision 1; and 297B.09, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 161; repealing Minnesota Statutes 1992, sections 171.20, subdivision 1; 296.01, subdivision 4; and 296.026.

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

Pages 14 to 17, delete sections 13 to 18

Pages 23 and 24, delete sections 28 and 29

Pages 24 to 26, delete sections 31 and 32 and insert:

"Sec. 23. Minnesota Statutes 1992, section 297A.02, is amended by adding a subdivision to read:

Subd. 5. [MOTOR VEHICLE LEASES.] *Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon leases of motor vehicles is 6.5 percent.*

Sec. 24. [I-35 MORATORIUM.]

The commissioner of transportation must not initiate land acquisition for highway capacity improvement projects on marked interstate route I-35W before August 1, 1994."

Page 26, delete lines 15 to 17

Page 26, line 18, delete "22" and insert "*16*"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "establishing a temporary moratorium on the interstate route I-35W project;"

Page 1, line 8, delete everything after the semicolon

Page 1, delete line 9

Page 1, line 14, delete everything after the semicolon

Page 1, delete line 15

Page 1, delete line 20 and insert "subdivision 1a;"

Page 1, delete line 21 and insert "296.025, subdivision 1a; and 297A.02, by adding a subdivision;"

Page 1, line 22, delete everything before "proposing"

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

SECOND READING OF SENATE BILLS

S.F. Nos. 673, 1496 and 1251 were read the second time.

MOTIONS AND RESOLUTIONS – CONTINUED

Mr. Riveness moved that S.F. No. 867 be withdrawn from the Committee on Crime Prevention and re-referred to the Committee on Finance. The motion prevailed.

MEMBERS EXCUSED

Mr. Beckman was excused from the Session of today from 8:30 to 11:40 a.m. Ms. Pappas was excused from the Session of today from 8:30 to 10:00 a.m. Mr. Janezich was excused from the Session of today from 9:20 to 10:20 a.m. Mr. Terwilliger was excused from the Session of today at 10:45 a.m. Mr. Oliver was excused from the Session of today from 3:00 to 4:30 p.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 8:30 a.m., Friday, April 23, 1993. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate