

Senate Omnibus Tax Bill  
 Unofficial Engrossment HF 3374  
 Version as Passed the Senate Floor 5/11/06

See Last Page for Index

A bill for an act

relating to financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, mortgage and deed, health care provider, cigarette and tobacco products, liquor, insurance premiums, aggregate removal, occupation, net proceeds, and production taxes, the property tax refund, and other taxes and tax-related provisions; providing income tax credits and subtraction; providing for taxation of foreign operating corporations; providing a refund for transit passes; modifying and authorizing sales tax exemptions; modifying and authorizing local government sales taxes; modifying the homestead market value credit; modifying certain levies; changing and providing property tax exemptions and value exclusions; providing for aids and payments to local governments; modifying international economic development zone authority; authorizing distributions of tax proceeds; changing provisions relating to fiscal disparities and education financing; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; providing for issuance of obligations by local governments and other public authorities, and use of the proceeds of the debt; changing tax increment financing and abatement provisions, and providing authorities to certain districts; imposing a tax on sports memorabilia; changing a Council on Disability provision; providing for studies and reports; providing penalties; establishing accounts and providing funding; providing for allocation and transfers of funds; appropriating money; amending Minnesota Statutes 2004, sections 103E.635, subdivision 7; 116A.20, subdivision 3; 116J.993, subdivision 3; 123B.53, subdivision 5; 144F.01, subdivision 4; 162.18, subdivision 1; 162.181, subdivision 1; 216B.2424, subdivision 5; 256.482, subdivision 8; 270A.03, subdivision 2; 272.02, subdivisions 12, 45, 54, 55, by adding a subdivision; 272.029, subdivision 2; 273.032; 273.11, by adding a subdivision; 273.124, subdivision 12, by adding a subdivision; 273.13, subdivision 23; 273.1384, subdivision 2; 273.1398, subdivision 3; 281.23, subdivision 9; 289A.09, subdivision 2; 290.06, subdivision 28, by adding subdivisions; 290.091, subdivision 3; 290.10; 290.17, subdivisions 1, 2; 290.34, subdivision 1; 295.50, subdivision 4; 295.53, subdivisions 3, 4a; 297A.61, subdivisions 12, 17, by adding subdivisions; 297A.63; 297A.668, subdivision 6; 297A.669, subdivision 11; 297A.67, subdivisions 4, 5, 14, 18, 27, by adding a subdivision; 297A.68, subdivision 19, by adding a subdivision; 297A.70, subdivisions 2, 3, 4, 7, 13, 14, 15; 297A.71, subdivision 23, by adding a subdivision; 297A.99, subdivision 7; 297F.01, by adding a subdivision; 297G.01, subdivision 7, by

adding a subdivision; 298.001, by adding a subdivision; 298.01, subdivisions 3a, 3b, 4a, 4b, by adding a subdivision; 298.17; 298.227; 298.28, subdivisions 6, 8, by adding subdivisions; 298.2961, by adding a subdivision; 298.75, by adding a subdivision; 365A.08; 365A.095; 373.45, subdivision 1; 383A.80, subdivision 4; 383B.80, subdivision 4; 469.035; 469.103, subdivision 2; 469.175, subdivision 4; 469.176, subdivisions 1, 3; 469.1763, subdivisions 3, 4; 469.1771, subdivision 2a; 469.1813, subdivisions 1, 6b, 8, 9, by adding a subdivision; 469.312, subdivision 5; 473.39, by adding a subdivision; 473F.08, by adding a subdivision; 474A.062; 475.58, subdivision 1; 477A.013, subdivision 9; 477A.014, subdivision 1; 477A.03, subdivision 2; Minnesota Statutes 2005 Supplement, sections 115B.49, subdivision 4; 123B.54; 126C.10, subdivision 13a; 270C.01, subdivision 4; 270C.304; 270C.33, subdivision 4; 270C.57, subdivision 3; 270C.67, subdivision 1, by adding a subdivision; 270C.722, subdivision 2; 271.12; 272.02, subdivision 83; 273.128, subdivision 1; 273.13, subdivisions 22, 25; 273.1384, subdivision 1; 276.04, subdivision 2; 284.07; 289A.02, subdivision 7; 289A.121, subdivision 5; 290.01, subdivisions 6b, 19, 19a, 19b, 19c, 19d, 31; 290.0675, subdivision 1; 290.0922, subdivisions 2, 3; 290A.03, subdivision 15; 297A.61, subdivision 3; 297A.64, subdivision 4; 297A.67, subdivision 6; 297A.68, subdivisions 37, 38, 41; 297A.70, subdivision 8; 297A.72, subdivision 2; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 1; 298.01, subdivisions 3, 4; 298.223, subdivision 1; 298.2961, subdivision 4; 469.175, subdivisions 2, 5; 469.1763, subdivisions 2, 6; 469.177, subdivision 1; 469.178, subdivision 7; 469.1813, subdivision 6; 469.322; 469.323, subdivision 2; 469.327; 475.521, subdivision 4; 477A.011, subdivision 36; 477A.013, subdivision 8; 477A.03, subdivision 2a; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1994, chapter 587, article 9, section 20, subdivisions 1, 2; Laws 1996, chapter 471, article 2, section 29; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2001, First Special Session chapter 5, article 3, section 8, as amended; Laws 2005, chapter 152, article 1, section 39, subdivision 1; Laws 2005, First Special Session chapter 3, article 2, section 5; article 5, sections 3; 43, subdivision 3; 44, subdivision 1; article 10, section 23; proposing coding for new law in Minnesota Statutes, chapters 41B; 270C; 273; 287; 290; 295; 383C; 383D; 469; repealing Minnesota Statutes 2004, sections 297A.68, subdivisions 15, 18; 298.01, subdivisions 3c, 3d, 4d, 4e; Laws 1994, chapter 587, article 9, section 20, subdivision 4; Laws 1996, chapter 464, article 1, section 8, subdivision 5; Laws 1998, chapter 389, article 11, section 18; Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7, 8; 8130.5100; 8130.5400; 8130.5800, subpart 6.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

## ARTICLE 1 INCOME TAX

### Section 1. **[41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.**

**Subdivision 1. Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Farm" means any tract of land over ten acres in area used for or devoted to the commercial production of farm products.

(c) "Farm product" means those plants and animals useful to humans and includes, but is not limited to, forage and sod crops, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.



(d) "Farming or livestock production" means the active use, management, and operation of real and personal property for the production of a farm product.

(e) "Beginning farmer or livestock producer" means a resident of Minnesota who:

(1) is seeking entry or has entered within the last two years into farming or livestock production;

(2) intends to farm or raise crops or livestock on land located within the state borders of Minnesota; and

(3) meets the following eligibility requirements as determined by the authority:

(i) has a net worth of not more than \$200,000, including any holdings by a spouse or dependent, based on fair market value;

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the Rural Finance Authority ("authority"), adequate farming or livestock production experience or demonstrates knowledge in the type of farming or livestock production for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming or livestock production will be a significant source of income for the beginning farmer or livestock producer;

(vi) participates in a financial management program approved by the authority or the commissioner of agriculture; and

(vii) has other such qualifications as specified by the authority.

**Subd. 2. Beginning farmer management tax credit.** (a) A beginning farmer or livestock producer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. The credit is equal to 100 percent of the cost of participating in the program or \$500, whichever is less. The credit is available for up to three years while the farmer is in the program. The authority shall maintain a list of approved financial management programs and establish a procedure for approving equivalent programs that are not on the list.

(b) The credit is limited to the liability for tax, as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover according to section 290.06, subdivision 35.

**Subd. 3. Authority's duties.** The authority shall:

(1) approve and certify beginning farmers and livestock producers as eligible for the program under this section;

(2) provide necessary and reasonable assistance and support to beginning farmers and livestock producers for qualification and participation in financial management programs approved by the authority; and

(3) refer beginning farmers and livestock producers to agencies and organizations that may provide additional pertinent information and assistance.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) net 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, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child 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 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "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

5.1 or materials for, or transportation to, extracurricular activities including sporting events,  
5.2 musical or dramatic events, speech activities, driver's education, or similar programs. For  
5.3 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
5.4 given in section 32(c)(3) of the Internal Revenue Code;

5.5 (4) income as provided under section 290.0802;

5.6 (5) to the extent included in federal adjusted gross income, income realized on  
5.7 disposition of property exempt from tax under section 290.491;

5.8 (6) to the extent not deducted in determining federal taxable income by an individual  
5.9 who does not itemize deductions for federal income tax purposes for the taxable year, an  
5.10 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
5.11 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
5.12 under the provisions of Public Law 109-1;

5.13 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
5.14 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
5.15 which is included in gross income under section 87 of the Internal Revenue Code;

5.16 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
5.17 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
5.18 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
5.19 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
5.20 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
5.21 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
5.22 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
5.23 the extent they exceed the federal foreign tax credit;

5.24 (9) in each of the five tax years immediately following the tax year in which an  
5.25 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
5.26 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
5.27 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
5.28 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
5.29 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
5.30 positive value of any net operating loss under section 172 of the Internal Revenue Code  
5.31 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
5.32 less than zero;

5.33 (10) job opportunity building zone income as provided under section 469.316;

5.34 (11) the amount of compensation paid to members of the Minnesota National Guard  
5.35 or other reserve components of the United States military for active service performed  
5.36 in Minnesota, excluding compensation for services performed under the Active Guard

6.1 Reserve (AGR) program. For purposes of this clause, "active service" means (i) state  
6.2 active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally  
6.3 funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal  
6.4 active service as defined in section 190.05, subdivision 5c, but "active service" excludes  
6.5 services performed exclusively for purposes of basic combat training, advanced individual  
6.6 training, annual training, and periodic inactive duty training; special training periodically  
6.7 made available to reserve members; and service performed in accordance with section  
6.8 190.08, subdivision 3;

6.9 (12) the amount of compensation paid to Minnesota residents who are members  
6.10 of the armed forces of the United States or United Nations for active duty performed  
6.11 outside Minnesota;

6.12 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
6.13 qualified donor's donation, while living, of one or more of the qualified donor's organs  
6.14 to another person for human organ transplantation. For purposes of this clause, "organ"  
6.15 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
6.16 "human organ transplantation" means the medical procedure by which transfer of a human  
6.17 organ is made from the body of one person to the body of another person; "qualified  
6.18 expenses" means unreimbursed expenses for both the individual and the qualified donor  
6.19 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
6.20 may be subtracted under this clause only once; and "qualified donor" means the individual  
6.21 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
6.22 individual may claim the subtraction in this clause for each instance of organ donation for  
6.23 transplantation during the taxable year in which the qualified expenses occur;

6.24 (14) in each of the five tax years immediately following the tax year in which an  
6.25 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
6.26 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
6.27 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
6.28 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
6.29 any net operating loss under section 172 of the Internal Revenue Code generated for the  
6.30 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
6.31 subtraction is not allowed under this clause;

6.32 (15) to the extent included in federal taxable income, compensation paid to a  
6.33 nonresident who is a service member as defined in United States Code, title 10, section  
6.34 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public  
6.35 Law 108-189, section 101(2); and

7.1 (16) international economic development zone income as provided under section  
7.2 469.325; and  
3 (17) to the extent included in federal taxable income, a percentage of compensation  
7.4 received from a pension or other retirement pay from the government for service in the  
7.5 armed forces of the United States, up to a maximum amount.  
7.6 For taxable years beginning after December 31, 2005, and before January 1, 2007, the  
7.7 percentage is 25 percent and the maximum amount is \$7,500; for taxable years beginning  
7.8 after December 31, 2006, and before January 1, 2008, the percentage is 50 percent and  
7.9 the maximum amount is \$15,000; for taxable years beginning after December 31, 2007,  
7.10 and before January 1, 2009, the percentage is 75 percent and the maximum amount is  
7.11 \$22,500; and for taxable years beginning after December 31, 2008, the percentage is 100  
7.12 percent and there is no maximum amount.

3 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
7.14 December 31, 2006.

7.15 Sec. 3. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

7.16 Subd. 28. **Credit Credits and refunds for transit passes.** (a) A taxpayer may  
7.17 take a credit against the tax due under this chapter equal to 30 percent of the expense  
7.18 incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of  
7.19 the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section  
7.20 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes  
7.21 from the transit system operator, and resells them to the employees, the credit is based on  
the amount of the difference between the price paid for the passes by the employer and  
7.23 the amount charged to employees.

7.24 (b) An employer that is exempt from taxation under section 290.05, but excluding  
7.25 entities enumerated in section 290.05, subdivision 1, clause (b), may claim a refund equal  
7.26 to 30 percent of an expense incurred by the employer to provide transit passes to the  
7.27 employer's employees for use in Minnesota.

7.28 (c) The commissioner shall prescribe the forms for and the manner in which the  
7.29 refund may be claimed. The commissioner must provide for paying refunds at least  
7.30 quarterly. The commissioner may set a minimum amount of qualifying expenses that must  
7.31 be incurred before a refund may be claimed.

7.32 (d) An amount sufficient to pay the refunds required by this subdivision is  
7.33 appropriated to the commissioner of revenue.

8.1 **EFFECTIVE DATE.** This section is effective for transit passes purchased after  
8.2 June 30, 2006.

8.3 Sec. 4. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
8.4 to read:

8.5 Subd. 33. **Film production credit.** (a) A taxpayer is allowed a credit against the  
8.6 taxes due under this chapter equal to 15 percent of film production expenditures made in  
8.7 Minnesota that are directly attributable to film production in Minnesota. For purposes of  
8.8 this subdivision, "film" means a movie, documentary, or music video, whether on film  
8.9 or video; and "film production" means all the activities related to (i) the preparation for  
8.10 shooting, (ii) the shooting, including processing, and (iii) the editing and finishing of a  
8.11 film. For purposes of this subdivision, the following is not a "film:"

8.12 (1) news, current events, or public programming or a program that includes weather  
8.13 or market reports;

8.14 (2) a talk show;

8.15 (3) a production with respect to a questionnaire or contest;

8.16 (4) a sports event or sports activity;

8.17 (5) a gala representation or awards show;

8.18 (6) a finished production that solicits funds; or

8.19 (7) a production for which the production company is required under United States  
8.20 Code, title 18, section 2257, to maintain records with respect to a performer portrayed  
8.21 in a single media or multimedia program.

8.22 (b) Expenditures that qualify for the credit under this subdivision must be subject to  
8.23 taxation in Minnesota and include:

8.24 (1) payment of wages, fringe benefits, or fees for talent, management, or labor to a  
8.25 person who is a Minnesota resident for purposes of this chapter;

8.26 (2) payment to personal services corporations for the services of a performing artist,  
8.27 if the performing artist receiving payments from the personal services corporation pays  
8.28 Minnesota income tax; and

8.29 (3) any of the following provided by a vendor:

8.30 (i) the story and scenario to be used for a film;

8.31 (ii) set construction and operations, wardrobe, accessories, and related services;

8.32 (iii) photography, sound synchronization, lighting, and related services;

8.33 (iv) editing and related services;

8.34 (v) rental of facilities and equipment;

8.35 (vi) leasing of vehicles; and

9.1 (vii) food and lodging.

9.2 (c) If the amount of the credit under this subdivision exceeds the taxpayer's tax  
9.3 liability under this chapter for the taxable year, the amount of the excess must be refunded  
9.4 to the taxpayer. The amount necessary to pay the refunds is appropriated annually from  
9.5 the general fund to the commissioner of revenue.

9.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
9.7 December 31, 2005.

9.8 Sec. 5. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
9.9 to read:

9.10 Subd. 34. **Credit for military service.** (a) An individual may take a credit  
9.11 against the tax due under this chapter equal to \$59 for each month or portion thereof the  
9.12 individual was in active military service in a designated area after September 11, 2001.  
9.13 An individual may take this credit in the taxable year the individual returns to Minnesota  
9.14 residency following active military service in a designated area. If a Minnesota resident  
9.15 served in a designated area between September 11, 2001, and December 31, 2005, the  
9.16 individual may take this credit in the taxable year beginning after December 31, 2005, and  
9.17 before January 1, 2007.

9.18 (b) If a Minnesota resident is killed while serving in active military service in a  
9.19 designated area, the individual's surviving spouse or dependent child may take this credit  
9.20 in the taxable year of the death. If a Minnesota resident was killed while serving in a  
9.21 designated area between September 11, 2002, and December 31, 2005, the individual's  
9.22 surviving spouse or dependent child may take this credit in the taxable year beginning  
9.23 after December 31, 2005, and before January 1, 2007.

9.24 (c) For purposes of this section, a "designated area" means a:

9.25 (1) combat zone designated by Executive Order from the President of the United  
9.26 States;

9.27 (2) qualified hazardous duty area, designated in Public Law; or

9.28 (3) location certified by the U.S. Department of Defense as eligible for combat zone  
9.29 tax benefits due to the location's direct support of military operations.

9.30 (d) For purposes of this section, active military service includes active duty service  
9.31 in any of the United States Armed Forces, the National Guard, or reserves.

9.32 (e) If the amount of the credit which the taxpayer is eligible to receive under this  
9.33 section exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue  
9.34 shall refund the excess to the taxpayer.



10.1           (f) The amount necessary to pay claims for the refund provided in this section is  
10.2 appropriated from the general fund to the commissioner of revenue.

10.3           **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
10.4 December 31, 2005.

10.5           Sec. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
10.6 to read:

10.7           **Subd. 35. Beginning farmer management credit.** (a) A taxpayer who is a  
10.8 beginning farmer or livestock producer may take a credit against the tax due under  
10.9 this chapter for participation in a financial management program according to section  
10.10 41B.0391, subdivision 3.

10.11           (b) The credit may be claimed only after approval and certification by the Rural  
10.12 Finance Authority according to section 41B.0391.

10.13           (c) The credit is limited to the liability for tax, as computed under this chapter, for  
10.14 the taxable year. If the amount of the credit determined under this subdivision for any  
10.15 taxable year exceeds this limitation, the excess is a beginning farmer management credit  
10.16 carryover to each of the three succeeding taxable years. The entire amount of the excess  
10.17 unused credit for the taxable year is carried first to the earliest of the taxable years to  
10.18 which the credit may be carried and then to each successive year to which the credit may  
10.19 be carried. The amount of the unused credit which may be added under this paragraph  
10.20 must not exceed the taxpayer's liability for tax less the beginning farmer management  
10.21 credit for the taxable year.

10.22           **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
10.23 December 31, 2006.

10.24           Sec. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
10.25 to read:

10.26           **Subd. 36. Bovine testing credit.** (a) An owner of cattle in Minnesota may take a  
10.27 credit against the tax due under this chapter for an amount equal to one-half the expenses  
10.28 incurred during the taxable year to conduct tuberculosis testing on those cattle.

10.29           (b) If the amount of credit which the taxpayer is eligible to receive under this  
10.30 subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of  
10.31 revenue shall refund the excess to the taxpayer.

10.32           (c) The amount necessary to pay claims for the refund provided in this subdivision is  
10.33 appropriated from the general fund to the commissioner of revenue.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.2 December 31, 2005.

11.3 Sec. 8. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
11.4 to read:

11.5 Subd. 37. **Dairy investment credit.** (a) A dairy investment credit is allowed against  
11.6 the tax due under this chapter equal to ten percent of the amount paid or incurred by the  
11.7 taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period.

11.8 (b) "Qualifying expenditures" means for purposes of this subdivision the amount  
11.9 spent by a person who raises dairy animals for the acquisition, construction, or  
11.10 improvement of buildings or facilities; or the development of pasture; or the acquisition of  
11.11 equipment; for dairy animal housing, confinement, animal feeding, production of milk  
11.12 and other dairy products, and waste management, including the following, if related to  
11.13 dairy animals in this state:

11.14 (1) freestall barns;

11.15 (2) fences;

11.16 (3) watering facilities;

11.17 (4) feed storage and handling equipment;

11.18 (5) milking parlors;

11.19 (6) robotic equipment;

11.20 (7) scales;

11.21 (8) milk storage and cooling facilities;

11.22 (9) bulk tanks;

11.23 (10) manure pumping and storage facilities;

11.24 (11) digesters;

11.25 (12) equipment used to produce energy;

11.26 (13) on-farm processing of milk and other dairy products; and

11.27 (14) development of pasture owned or rented by the taxpayer for the use of dairy  
11.28 animals.

11.29 Qualified expenditures only include amounts that are capitalized and deducted under either  
11.30 section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

11.31 (c) The credit is limited to the liability for tax, as computed under this chapter,  
11.32 for qualifying expenditures, other than expenditures for development of pasture, only  
11.33 include amounts that are capitalized and deducted under either section 167 or 179 of the  
11.34 Internal Revenue Code in computing federal taxable income. Qualifying expenditures  
11.35 for development of pasture must not include land acquisition and are limited to soil

12.1 preparation expenses, seed costs, planting costs, and weed control, which are allowed once  
12.2 for each acre owned or rented by the taxpayer for the use of dairy animals and developed  
12.3 into pasture during the qualifying period. The amount of the unused credit which may  
12.4 be added under this paragraph must not exceed the taxpayer's liability for tax less the  
12.5 dairy investment credit for the taxable year.

12.6 (d) The qualifying period is that time after December 31, 2005, and before January  
12.7 1, 2012.

12.8 (e) The \$50,000 maximum credit applies at the entity level for partnerships, S  
12.9 corporations, trusts, and estates as well as at the individual level. In the case of married  
12.10 individuals, the credit is limited to \$50,000 for a married couple.

12.11 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
12.12 December 31, 2005.

12.13 Sec. 9. [290.0677] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

12.14 Subdivision 1. Definitions. (a) As used in this section, the terms defined in this  
12.15 subdivision have the meanings given.

12.16 (b) "Certified historic structure" means a property located in Minnesota and listed  
12.17 individually on the National Register of Historic Places or a historic property designated  
12.18 by either a certified local government or a heritage preservation commission created  
12.19 under the National Historic Preservation Act of 1966 and whose designation is approved  
12.20 by the state historic preservation officer.

12.21 (c) "Eligible property" means a certified historic structure or a structure in a certified  
12.22 historic district that is offered or used for residential or business purposes.

12.23 (d) "Structure in a certified historic district" means a structure located in Minnesota  
12.24 that is certified by the State Historic Preservation Office as contributing to the historic  
12.25 significance of a certified historic district listed on the National Register of Historic Places  
12.26 or a local district that has been certified by the United States Department of the Interior.

12.27 Subd. 2. Credit allowed. A taxpayer who incurs costs for the rehabilitation of  
12.28 eligible property may take a credit against the tax imposed under this chapter in an amount  
12.29 equal to ten percent of the total costs of rehabilitation. Costs of rehabilitation include,  
12.30 but are not limited to, qualified rehabilitation expenditures as defined under section  
12.31 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must  
12.32 exceed 50 percent of the total basis in the property at the time the rehabilitation activity  
12.33 begins and the rehabilitation must meet standards consistent with the standards of the  
12.34 Secretary of the Interior for rehabilitation as determined by the State Historic Preservation  
12.35 Office of the Minnesota Historical Society.

13.1        Subd. 3. **Carryback and carryforward.** If the amount of the credit under  
13.2 subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is  
13.3 incurred, the amount that exceeds the tax liability may be carried back to any of the three  
13.4 preceding taxable years or carried forward to each of the ten taxable years succeeding the  
13.5 taxable year in which the expense was incurred. The entire amount of the credit must  
13.6 be carried to the earliest taxable year to which the amount may be carried. The unused  
13.7 portion of the credit must be carried to the following taxable year.

13.8        Subd. 4. **Partnerships; multiple owners; transfers.** (a) Credits granted to a  
13.9 partnership, a limited liability company taxed as a partnership, or multiple owners of  
13.10 property shall be passed through to the partners, members, or owners, respectively, pro  
13.11 rata or pursuant to an executed agreement among the partners, members, or owners  
13.12 documenting an alternate distribution method.

13.13        (b) Taxpayers eligible for credits may transfer, sell, or assign the credits in whole  
13.14 or part. Any assignee may use acquired credits to offset up to 100 percent of the taxes  
13.15 otherwise imposed by this chapter. The assignee shall perfect such transfer by notifying  
13.16 the Department of Revenue in writing within 30 calendar days following the effective  
13.17 date of the transfer in such form and manner as shall be prescribed by the Department  
13.18 of Revenue. The proceeds of any sale or assignment of a credit shall be exempt from  
13.19 taxation under this chapter.

13.20        Subd. 5. **Process.** To claim the credit, the taxpayer must apply to the State Historic  
13.21 Preservation Office of the Minnesota Historical Society before a historic rehabilitation  
13.22 project begins. The State Historic Preservation Office shall determine the amount of  
13.23 eligible rehabilitation costs and whether the rehabilitation meets the standards of the  
13.24 United States Department of the Interior. The State Historic Preservation Office shall issue  
13.25 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach  
13.26 the certificate to any income tax return on which the credit is claimed. The State Historic  
13.27 Preservation Office of the Minnesota Historical Society may collect fees for applications  
13.28 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed  
13.29 the costs of administering the tax credit program.

13.30        Subd. 6. **Mortgage certificates; credit for lending institutions.** (a) The taxpayer  
13.31 may elect, in lieu of the credit otherwise allowed under this section, to receive a historic  
13.32 rehabilitation mortgage credit certificate.

13.33        (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a  
13.34 certificate that is issued to the taxpayer according to procedures prescribed by the State  
13.35 Historic Preservation Office with respect to the certified rehabilitation and which meets  
13.36 the requirements of this paragraph. The face amount of the certificate must be equal to

14.1 the credit that would be allowable under subdivision 2 to the taxpayer with respect to  
14.2 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending  
14.3 institution, including a nondepository home mortgage lending institution, in connection  
14.4 with a loan:

14.5 (1) that is secured by the building with respect to which the credit is issued; and  
14.6 (2) the proceeds of which may not be used for any purpose other than the acquisition  
14.7 or rehabilitation of the building.

14.8 (c) In exchange for the certificate, the lending institution must provide to the  
14.9 taxpayer an amount equal to the face amount of the certificate discounted by the amount  
14.10 by which the federal income tax liability of the lending institution is increased due to its  
14.11 use of the certificate in the manner provided in this section. That amount must be applied,  
14.12 as directed by the taxpayer, in whole or in part, to reduce:

14.13 (1) the principal amount of the loan;

14.14 (2) the rate of interest on the loan; or

14.15 (3) the taxpayer's cost of purchasing the building, but only in the case of a qualified  
14.16 historic home that is located in a poverty-impacted area as designated by the State Historic  
14.17 Preservation Office. The lending institution may take as a credit against the tax due under  
14.18 this chapter an amount equal to the amount specified in the certificate. If the amount of  
14.19 the discount retained by the lender exceeds the amount by which the lending institution's  
14.20 federal income tax liability is increased due to the use of a mortgage credit certificate, the  
14.21 excess shall be refunded to the borrower with interest at the rate prescribed by the State  
14.22 Historic Preservation Office. The lending institution may carry forward all unused credits  
14.23 under this subdivision until exhausted. Nothing in this subdivision requires a lending  
14.24 institution to accept a historic rehabilitation certificate from any person.

14.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
14.26 December 31, 2005.

14.27 Sec. 10. Minnesota Statutes 2004, section 290.10, is amended to read:

14.28 **290.10 NONDEDUCTIBLE ITEMS.**

14.29 Subdivision 1. **Expenses, interest, and taxes.** Except as provided in section 290.17,  
14.30 subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction shall  
14.31 in any case be allowed for expenses, interest and taxes connected with or allocable against  
14.32 the production or receipt of all income not included in the measure of the tax imposed by  
14.33 this chapter, except that for corporations engaged in the business of mining or producing  
14.34 iron ore, the mining of which is subject to the occupation tax imposed by section 298.01,

15.1 subdivision 4, this shall not prevent the deduction of expenses and other items to the extent  
15.2 that the expenses and other items are allowable under this chapter and are not deductible,  
15.3 capitalizable, retainable in basis, or taken into account by allowance or otherwise in  
15.4 computing the occupation tax and do not exceed the amounts taken for federal income  
15.5 tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes  
15.6 imposed under chapter 299, or depletion expenses may not be deducted under this clause.

15.7 Subd. 2. Fines, penalties, damages, and expenses. (a) No deduction from taxable  
15.8 income for a trade or business expense under section 162(a) of the Internal Revenue Code  
15.9 shall be allowed for any fine, penalty, damages, or expenses paid to:

15.10 (1) the government of the United States, a state, a territory or possession of the  
15.11 United States, the District of Columbia, or the Commonwealth of Puerto Rico;

15.12 (2) the government of a foreign country; or

15.13 (3) a political subdivision of, or corporation or other entity serving as an agency or  
15.14 instrumentality of, any government described in clause (1) or (2).

15.15 (b) For purposes of this subdivision, "fine, penalty, damages, or expenses" include,  
15.16 but are not limited to, any amount:

15.17 (1) paid pursuant to a conviction or a plea of guilty or nolo contendere for any  
15.18 crime in a criminal proceeding;

15.19 (2) paid as a civil penalty imposed by federal, state, or local law, including tax  
15.20 penalties and interest;

15.21 (3) paid in settlement of the taxpayer's actual or potential liability for a civil or  
15.22 criminal fine or penalty;

15.23 (4) forfeited as collateral posted in connection with a proceeding that could result in  
15.24 imposition of a fine or penalty; or

15.25 (5) legal fees and related expenses paid or incurred in the prosecution or civil action  
15.26 arising from a violation of the law imposing the fine or civil penalty, court costs assessed  
15.27 against the taxpayer, or stenographic and printing charges, compensatory damages,  
15.28 punitive damages, or restitution.

15.29 EFFECTIVE DATE. This section is effective for taxable years beginning after  
15.30 December 31, 2005.

15.31 **ARTICLE 2**  
15.32 **INCOME TAX REFORM**

15.33 Section 1. Minnesota Statutes 2005 Supplement, section 289A.02, subdivision 7,  
15.34 is amended to read:

16.1 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
16.2 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April~~  
16.3 15 December 31, 2005.

16.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.5 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19, is  
16.6 amended to read:

16.7 Subd. 19. **Net income.** The term "net income" means the federal taxable income,  
16.8 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the  
16.9 date named in this subdivision, incorporating the federal effective dates of changes to the  
16.10 Internal Revenue Code and any elections made by the taxpayer in accordance with the  
16.11 Internal Revenue Code in determining federal taxable income for federal income tax  
16.12 purposes, and with the modifications provided in subdivisions 19a to 19f.

16.13 In the case of a regulated investment company or a fund thereof, as defined in section  
16.14 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
16.15 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
16.16 except that:

16.17 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
16.18 Revenue Code does not apply;

16.19 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal  
16.20 Revenue Code must be applied by allowing a deduction for capital gain dividends and  
16.21 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal  
16.22 Revenue Code; and

16.23 (3) the deduction for dividends paid must also be applied in the amount of any  
16.24 undistributed capital gains which the regulated investment company elects to have treated  
16.25 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

16.26 The net income of a real estate investment trust as defined and limited by section  
16.27 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
16.28 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

16.29 The net income of a designated settlement fund as defined in section 468B(d) of  
16.30 the Internal Revenue Code means the gross income as defined in section 468B(b) of the  
16.31 Internal Revenue Code.

16.32 The Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31,  
16.33 2005, shall be in effect for taxable years beginning after December 31, 1996.



17.1 Except as otherwise provided, references to the Internal Revenue Code in  
17.2 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for  
17.3 the applicable year.

17.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.5 Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19a, is  
17.6 amended to read:

17.7 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and  
17.8 trusts, there shall be added to federal taxable income:

17.9 (1)(i) interest income on obligations of any state other than Minnesota or a political  
17.10 or governmental subdivision, municipality, or governmental agency or instrumentality  
17.11 of any state other than Minnesota exempt from federal income taxes under the Internal  
17.12 Revenue Code or any other federal statute; and

17.13 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue  
17.14 Code, except the portion of the exempt-interest dividends derived from interest income  
17.15 on obligations of the state of Minnesota or its political or governmental subdivisions,  
17.16 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
17.17 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
17.18 95 percent or more of the exempt-interest dividends that are paid by the regulated  
17.19 investment company as defined in section 851(a) of the Internal Revenue Code, or the  
17.20 fund of the regulated investment company as defined in section 851(g) of the Internal  
17.21 Revenue Code, making the payment; and

17.22 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal  
17.23 government described in section 7871(c) of the Internal Revenue Code shall be treated as  
17.24 interest income on obligations of the state in which the tribe is located;

17.25 (2) the amount of income or sales and use taxes paid or accrued within the taxable  
17.26 year under this chapter and the amount of taxes based on net income paid or sales and  
17.27 use taxes paid to any other state or to any province or territory of Canada, to the extent  
17.28 allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition  
17.29 may not be more than the amount by which the itemized deductions as allowed under  
17.30 section 63(d) of the Internal Revenue Code ~~exceeds the amount of the standard deduction~~  
17.31 ~~as defined in section 63(c) of the Internal Revenue Code minus the addition which would~~  
17.32 ~~have been required under clause (10) if the taxpayer had claimed the standard deduction.~~

17.33 For the purpose of this paragraph, the disallowance of itemized deductions under section  
17.34 68 of the Internal Revenue Code of 1986, income or sales and use tax is the last itemized  
17.35 deduction disallowed;

(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 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income 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;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; and

~~(10) for tax years beginning after December 31, 2004, to the extent deducted in computing federal taxable income, the amount by which the standard deduction allowed under section 63(c) of the Internal Revenue Code exceeds the standard deduction allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through December 31, 2003; and~~

~~(11)~~ (10) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

19.1 Sec. 4. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 31, is  
19.2 amended to read:

19.3 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
19.4 Revenue Code" means the Internal Revenue Code of 1986, as amended through April  
19.5 15 December 31, 2005.

19.6 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
19.7 except the changes incorporated by federal changes are effective at the same times as the  
19.8 changes were effective for federal purposes.

19.9 Sec. 5. Minnesota Statutes 2005 Supplement, section 290.0675, subdivision 1, is  
19.10 amended to read:

19.11 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms  
19.12 have the meanings given.

19.13 (b) "Earned income" means the sum of the following, to the extent included in  
19.14 Minnesota taxable income:

19.15 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

19.16 (2) income received from a retirement pension, profit-sharing, stock bonus, or  
19.17 annuity plan; and

19.18 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue  
19.19 Code.

19.20 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

19.21 (d) "Earned income of lesser-earning spouse" means the earned income of the  
19.22 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable  
19.23 year minus the sum of (i) the amount for one exemption under section 151(d) of the  
19.24 Internal Revenue Code and (ii) one-half the amount of the standard deduction under  
19.25 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~  
19.26 ~~required under section 290.01, subdivision 19a, clause (10), and one-half of the addition~~  
19.27 ~~which would have been required under section 290.01, subdivision 19a, clause (10), if the~~  
19.28 ~~taxpayer had claimed the standard deduction.~~

19.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
19.30 December 31, 2005.

19.31 Sec. 6. Minnesota Statutes 2004, section 290.091, subdivision 3, is amended to read:

19.32 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative  
19.33 minimum tax, the exemption amount is:

(1) for taxable years beginning before January 1, 2006, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992; and

(2) for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out ~~under section 55(d)(3)~~.

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (2), must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 7. Minnesota Statutes 2004, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2); and (a)(3), ~~and (a)(4)~~, income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in

21.1 which the denominator contains the total number of days in which the individual is under  
21.2 a duty to perform for the employer, and the numerator is the total number of those days  
21.3 spent in Minnesota. For purposes of this paragraph, off-season training activities, unless  
21.4 conducted at the team's facilities as part of a team imposed program, are not included in  
21.5 the total number of duty days. Bonuses earned as a result of play during the regular season  
21.6 or for participation in championship, play-off, or all-star games must be allocated under  
21.7 the formula. Signing bonuses are not subject to allocation under the formula if they are  
21.8 not conditional on playing any games for the team, are payable separately from any other  
21.9 compensation, and are nonrefundable; and

21.10 (ii) The amount of income to be assigned to Minnesota for an individual who is a  
21.11 nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's  
21.12 athletic or entertainment performance in Minnesota shall be determined by assigning to  
21.13 this state all income from performances or athletic contests in this state.

21.14 (3) For purposes of this section, amounts received by a nonresident as "retirement  
21.15 income" as defined in section (b)(1) of the State Income Taxation of Pension Income  
21.16 Act, Public Law 104-95, are not considered income derived from carrying on a trade  
21.17 or business or from wages or other compensation for work an employee performed in  
21.18 Minnesota, and are not taxable under this chapter.

21.19 ~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under~~  
21.20 ~~clause (3), are not taxable under this chapter if the following conditions are met:~~

21.21 ~~(i) the recipient was not a resident of this state for any part of the taxable year in~~  
21.22 ~~which the wages were received; and~~

21.23 ~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

21.24 (b) Income or gains from tangible property located in this state that is not employed  
21.25 in the business of the recipient of the income or gains must be assigned to this state.

21.26 (c) Income or gains from intangible personal property not employed in the business  
21.27 of the recipient of the income or gains must be assigned to this state if the recipient of the  
21.28 income or gains is a resident of this state or is a resident trust or estate.

21.29 Gain on the sale of a partnership interest is allocable to this state in the ratio of the  
21.30 original cost of partnership tangible property in this state to the original cost of partnership  
21.31 tangible property everywhere, determined at the time of the sale. If more than 50 percent  
21.32 of the value of the partnership's assets consists of intangibles, gain or loss from the sale  
21.33 of the partnership interest is allocated to this state in accordance with the sales factor of  
21.34 the partnership for its first full tax period immediately preceding the tax period of the  
21.35 partnership during which the partnership interest was sold.

22.1 Gain on the sale of goodwill or income from a covenant not to compete that is  
22.2 connected with a business operating all or partially in Minnesota is allocated to this state  
22.3 to the extent that the income from the business in the year preceding the year of sale was  
22.4 assignable to Minnesota under subdivision 3.

22.5 When an employer pays an employee for a covenant not to compete, the income  
22.6 allocated to this state is in the ratio of the employee's service in Minnesota in the calendar  
22.7 year preceding leaving the employment of the employer over the total services performed  
22.8 by the employee for the employer in that year.

22.9 (d) Income from winnings on a bet made by an individual while in Minnesota is  
22.10 assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75,  
22.11 subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

22.12 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the  
22.13 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

22.14 (f) For the purposes of this section, working as an employee shall not be considered  
22.15 to be conducting a trade or business.

22.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
22.17 December 31, 2005.

22.18 Sec. 8. Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 15, is  
22.19 amended to read:

22.20 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal  
22.21 Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

22.22 **EFFECTIVE DATE.** This section is effective for property taxes payable on or after  
22.23 December 31, 2005, and rent paid on or after December 31, 2004.

22.24 Sec. 9. **NET INCOME; FEDERAL CONFORMITY.**

22.25 For taxable years beginning after December 31, 2004, and before December 31,  
22.26 2006, the definition of "net income" in Minnesota Statutes, section 290.01, subdivision 19,  
22.27 must be interpreted by the Department of Revenue to conform to the position taken by  
22.28 the Internal Revenue Service in Revenue Notice 2005-68.

22.29 Sec. 10. **MARRIED JOINT FILERS; TAXABLE YEAR 2005.**

22.30 For taxable years beginning after December 31, 2004, and before January 1, 2006,  
22.31 the liability for tax under Minnesota Statutes, chapter 290, must be determined as if the

23.1 addition to federal taxable income under Minnesota Statutes 2005 Supplement, section  
23.2 290.01, subdivision 19a, clause (10), did not apply.

23.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

23.4 Sec. 11. **REFUNDS.**

23.5 The commissioner of revenue must review individual income tax returns that may be  
23.6 subject to section 10 and adjust the tax liability accordingly. If the tax paid for the taxable  
23.7 year beginning after December 31, 2004, and before January 1, 2006, by any taxpayer  
23.8 under Minnesota Statutes, chapter 290, as amended through December 31, 2005, to the  
23.9 commissioner of revenue is greater than the tax liability determined under section 10,  
23.10 the commissioner must pay the taxpayer a refund of the difference. If the tax paid for  
23.11 that taxable year by any taxpayer under Minnesota Statutes, chapter 290, as amended  
12 through December 31, 2005, is less than the tax liability determined under section 10, no  
23.13 additional payment is required of the taxpayer. The refunds issued under this section are  
23.14 not subject to accrual of interest.

23.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

23.16 Sec. 12. **APPROPRIATION.**

23.17 The amount necessary to issue refunds under section 11 and the administrative costs  
23.18 associated with the issuance of refunds is appropriated from the Tax Relief Account under  
23.19 Minnesota Statutes, section 16A.1522, subdivision 4, to the commissioner of revenue.  
23.20 Notwithstanding Minnesota Statutes, section 16A.285, the commissioner of revenue may  
1 not use this appropriation for any purpose other than administering the refunds under  
23.22 section 11. This is a onetime appropriation and may not be added to the agency's budget  
23.23 base.

23.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

23.25 **ARTICLE 3**

23.26 **SALES AND USE TAX**

23.27 Section 1. Minnesota Statutes 2005 Supplement, section 270C.722, subdivision 2,  
23.28 is amended to read:

23.29 Subd. 2. **New permits after revocation.** (a) The commissioner shall not issue a  
23.30 new permit after revocation or reinstate a revoked permit unless the taxpayer applies for a  
23.31 permit and provides reasonable evidence of intention to comply with the sales and use



24.1 tax laws and rules. The commissioner may require the applicant to provide security, in  
24.2 addition to that authorized by section 297A.92, in an amount reasonably necessary to  
24.3 ensure compliance with the sales and use tax laws and rules. If the commissioner issues  
24.4 or reinstates a permit not in conformance with the requirements of this subdivision or  
24.5 applicable rules, the commissioner may cancel the permit upon notice to the permit holder.  
24.6 The notice must be served by first class and certified mail at the permit holder's last known  
24.7 address. The cancellation shall be effective immediately, subject to the right of the permit  
24.8 holder to show that the permit was issued in conformance with the requirements of this  
24.9 subdivision and applicable rules. Upon such showing, the permit must be reissued.

24.10 (b) If a taxpayer has had a permit or permits revoked three times in a five-year  
24.11 period, the commissioner ~~shall not~~ may refuse to issue a new permit or reinstate the  
24.12 revoked permit until 24 months have elapsed after revocation and the taxpayer has  
24.13 satisfied the conditions for reinstatement of a revoked permit or issuance of a new permit  
24.14 imposed by this section and rules adopted under this section.

24.15 (c) For purposes of this subdivision, "taxpayer" means:

24.16 (1) an individual, if a revoked permit was issued to or in the name of an individual,  
24.17 or a corporation or partnership, if a revoked permit was issued to or in the name of a  
24.18 corporation or partnership; and

24.19 (2) an officer of a corporation, a member of a partnership, or an individual who is  
24.20 liable for delinquent sales taxes, either for the entity for which the new or reinstated  
24.21 permit is at issue, or for another entity for which a permit was previously revoked, or  
24.22 personally as a permit holder.

24.23 Sec. 2. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3, is  
24.24 amended to read:

24.25 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited  
24.26 to, each of the transactions listed in this subdivision.

24.27 (b) Sale and purchase include:

24.28 (1) any transfer of title or possession, or both, of tangible personal property, whether  
24.29 absolutely or conditionally, for a consideration in money or by exchange or barter; and

24.30 (2) the leasing of or the granting of a license to use or consume, for a consideration  
24.31 in money or by exchange or barter, tangible personal property, other than a manufactured  
24.32 home used for residential purposes for a continuous period of 30 days or more.

24.33 (c) Sale and purchase include the production, fabrication, printing, or processing of  
24.34 tangible personal property for a consideration for consumers who furnish either directly or  
24.35 indirectly the materials used in the production, fabrication, printing, or processing.

- 25.1 (d) Sale and purchase include the preparing for a consideration of food.
- 25.2 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
- 25.3 to, the following:
- 25.4 (1) prepared food sold by the retailer;
- 25.5 (2) soft drinks;
- 25.6 (3) candy;
- 25.7 (4) dietary supplements; and
- 25.8 (5) all food sold through vending machines, except milk.
- 25.9 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
- 25.10 gas, water, or steam for use or consumption within this state.
- 25.11 (f) A sale and a purchase includes the transfer for a consideration of prewritten
- 25.12 computer software whether delivered electronically, by load and leave, or otherwise.
- 25.13 (g) A sale and a purchase includes the furnishing for a consideration of the following
- 25.14 services:
- 25.15 (1) the privilege of admission to places of amusement, recreational areas, or athletic
- 25.16 events, and the making available of amusement devices, tanning facilities, reducing
- 25.17 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;
- 25.18 (2) lodging and related services by a hotel, rooming house, resort, campground,
- 25.19 motel, or trailer camp and the granting of any similar license to use real property in a
- 25.20 specific facility, other than the renting or leasing of it for a continuous period of 30 days
- 25.21 or more under an enforceable written agreement that may not be terminated without
- 25.22 prior notice;
- 25.23 (3) nonresidential parking services, whether on a contractual, hourly, or other
- 25.24 periodic basis, except for parking at a meter;
- 25.25 (4) the granting of membership in a club, association, or other organization if:
- 25.26 (i) the club, association, or other organization makes available for the use of its
- 25.27 members sports and athletic facilities, without regard to whether a separate charge is
- 25.28 assessed for use of the facilities; and
- 25.29 (ii) use of the sports and athletic facility is not made available to the general public
- 25.30 on the same basis as it is made available to members.
- 25.31 Granting of membership means both onetime initiation fees and periodic membership
- 25.32 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
- 25.33 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
- swimming pools; and other similar athletic or sports facilities;

26.1 (5) delivery of aggregate materials and concrete block by a third party if the delivery  
26.2 would be subject to the sales tax if provided by the seller of the aggregate material or  
26.3 concrete block; and

26.4 (6) services as provided in this clause:

26.5 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
26.6 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
26.7 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
26.8 include services provided by coin operated facilities operated by the customer;

26.9 (ii) motor vehicle washing, waxing, and cleaning services, including services  
26.10 provided by coin operated facilities operated by the customer, and rustproofing,  
26.11 undercoating, and towing of motor vehicles;

26.12 (iii) building and residential cleaning, maintenance, and disinfecting and  
26.13 exterminating services;

26.14 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
26.15 including services performed within the jurisdiction they serve by off-duty licensed peace  
26.16 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
26.17 organization for monitoring and electronic surveillance of persons placed on in-home  
26.18 detention pursuant to court order or under the direction of the Minnesota Department  
26.19 of Corrections;

26.20 (v) pet grooming services;

26.21 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
26.22 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
26.23 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
26.24 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
26.25 public utility lines. Services performed under a construction contract for the installation of  
26.26 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

26.27 (vii) massages, except when provided by a licensed health care facility or  
26.28 professional or upon written referral from a licensed health care facility or professional for  
26.29 treatment of illness, injury, or disease; and

26.30 (viii) the furnishing of lodging, board, and care services for animals in kennels and  
26.31 other similar arrangements, but excluding veterinary and horse boarding services.

26.32 In applying the provisions of this chapter, the terms "tangible personal property"  
26.33 and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and  
26.34 (viii), and the provision of these taxable services, unless specifically provided otherwise.  
26.35 Services performed by an employee for an employer are not taxable. Services performed  
26.36 by a partnership or association for another partnership or association are not taxable if

27.1 one of the entities owns or controls more than 80 percent of the voting power of the  
27.2 equity interest in the other entity. Services performed between members of an affiliated  
3 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated  
27.4 group of corporations" includes those entities that would be classified as members of an  
27.5 affiliated group under United States Code, title 26, section 1504, and that are eligible to  
27.6 file a consolidated tax return for federal income tax purposes.

27.7 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
27.8 personal property or taxable services by the United States or any of its agencies or  
27.9 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
27.10 subdivisions.

27.11 (i) A sale and a purchase includes the furnishing for a consideration of  
27.12 telecommunications services, including cable television services and direct satellite  
27.13 services. Telecommunications services are taxed to the extent allowed under federal law.

27.14 (j) A sale and a purchase includes the furnishing for a consideration of installation if  
27.15 the installation charges would be subject to the sales tax if the installation were provided  
27.16 by the seller of the item being installed.

27.17 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
27.18 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
27.19 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
27.20 65B.29, subdivision 1, clause (1).

27.21 **EFFECTIVE DATE.** This section is effective for purchases and sales made after  
27.22 June 30, 2006.

27.23 Sec. 3. Minnesota Statutes 2005 Supplement, section 297A.64, subdivision 4, is  
27.24 amended to read:

27.25 Subd. 4. **Exemptions.** (a) The tax and the fee imposed by this section do not apply  
27.26 to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi  
27.27 service; (2) a hearse or limousine used in connection with a burial or funeral service; ~~or~~  
27.28 (3) a van designed or adapted primarily for transporting property rather than passengers;  
27.29 or (4) a vehicle under a car sharing agreement where the lessee is a dues-paying member  
27.30 of a nonprofit car sharing organization that leases vehicles only on an hourly or mileage  
27.31 basis. The tax and the fee imposed under this section do not apply when the lease or rental  
27.32 of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

27.33 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the  
27.34 previous calendar year the lessor had no more than 20 vehicles available for lease that

28.1 would have been subject to tax under this section, or no more than \$50,000 in gross  
28.2 receipts that would have been subject to tax under this section.

28.3 **EFFECTIVE DATE.** This section is effective for leases made after June 30, 2006.

28.4 Sec. 4. Minnesota Statutes 2004, section 297A.67, subdivision 18, is amended to read:

28.5 Subd. 18. **Used and re-refined motor oils.** Used motor oils are exempt. Re-refined  
28.6 motor oils that meet American Petroleum Institute specifications for gasoline or diesel  
28.7 engines are exempt.

28.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
28.9 June 30, 2006.

28.10 Sec. 5. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision  
28.11 to read:

28.12 Subd. 33. **Recycled copier and printing papers.** Copier paper with a minimum  
28.13 postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing  
28.14 paper with a minimum of 30 percent postconsumer recycled content by weight is exempt.  
28.15 Coated printing paper with a minimum of ten percent of postconsumer recycled content by  
28.16 weight is exempt.

28.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
28.18 June 30, 2006.

28.19 Sec. 6. Minnesota Statutes 2004, section 297A.68, subdivision 19, is amended to read:

28.20 Subd. 19. **Petroleum products.** The following petroleum products are exempt:

28.21 (1) products upon which a tax has been imposed and paid under chapter 296A,  
28.22 and for which no refund has been or will be allowed because the buyer used the fuel  
28.23 for nonhighway use;

28.24 (2) products that are used in the improvement of agricultural land by constructing,  
28.25 maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water  
28.26 impoundment, and other erosion control structures;

28.27 (3) products purchased by a transit system receiving financial assistance under  
28.28 section 174.24, 256B.0625, subdivision 17, or 473.384;

28.29 (4) products purchased by an ambulance service licensed under chapter 144E;

28.30 (5) products used in a passenger snowmobile, as defined in section 296A.01,  
28.31 subdivision 39, for off-highway business use as part of the operations of a resort as  
28.32 provided under section 296A.16, subdivision 2, clause (2); or

29.1 (6) products purchased by a state or a political subdivision of a state for use in motor  
29.2 vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or  
29.3 (7) products purchased for use as fuel for a commuter rail system operating under  
29.4 sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under  
29.5 section 297A.62, subdivision 1, applied, and then refunded in the manner provided  
29.6 in section 297A.75.

29.7 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,  
29.8 2006.

29.9 Sec. 7. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision  
29.10 to read:

29.11 **Subd. 42. Commuter rail materials, supplies, and equipment.** (a) Materials,  
29.12 supplies, and equipment used or consumed in the construction, equipment, or improvement  
29.13 of a commuter rail transportation system operated under sections 174.80 to 174.90 are  
29.14 exempt. This exemption includes railroad cars, engines, and related equipment. The tax  
29.15 must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied,  
29.16 and then refunded in the manner provided in section 297A.75.

29.17 (b) \$7,500,000 is appropriated from the general fund to the commissioner of revenue  
29.18 to be used to pay refunds of the tax paid for items that are exempt from taxation under this  
29.19 subdivision. This appropriation does not cancel, but remains available until expended.  
29.20 This exemption terminates when the commissioner of revenue determines that no amount  
29.21 of this appropriation remains.

29.22 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,  
29.23 2006.

29.24 Sec. 8. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

29.25 **Subd. 3. Sales of certain goods and services to government.** (a) The following  
29.26 sales to or use by the specified governments and political subdivisions of the state are  
29.27 exempt:

29.28 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and  
29.29 fire apparatus to a political subdivision;

29.30 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
29.31 municipal solid waste management services at a solid waste disposal facility as defined in  
29.32 section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Department of Administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, 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;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; and

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); and

(10) voting equipment purchased between January 1, 2006, and January 1, 2008, by a county to comply with United States Code, title 42, section 15481, ("Help America Vote Act of 2002").

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

Sec. 9. Minnesota Statutes 2005 Supplement, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **Regionwide public safety radio communication system; products and services.** Products and services including, but not limited to, end user equipment used



31.1 for construction, ownership, operation, maintenance, and enhancement of the backbone  
 31.2 system of the regionwide public safety radio communication system established under  
 31.3 sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone  
 31.4 system is defined in section 403.21, subdivision 9. This subdivision is effective for  
 31.5 purchases, sales, storage, use, or consumption for use in the first and second phases of the  
 31.6 system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and that portion of the~~  
 31.7 third phase of the system that is located in the southeast district of the State Patrol and  
 31.8 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system  
 31.9 that is located in Itasca County.

31.10 Sec. 10. Minnesota Statutes 2004, section 297A.71, subdivision 23, is amended to read:

31.11 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)

31.12 Purchases of materials and supplies used or consumed in and equipment incorporated into  
 31.13 the construction, improvement, or expansion of qualified low-income housing projects are  
 31.14 exempt from the tax imposed under this chapter if the owner of the qualified low-income  
 31.15 housing project is:

31.16 (1) the public housing agency or housing and redevelopment authority of a political  
 31.17 subdivision;

31.18 (2) an entity exercising the powers of a housing and redevelopment authority within  
 31.19 a political subdivision;

31.20 (3) a limited partnership in which the sole general partner is an authority under  
 31.21 clause (1) or an entity under clause (2);

31.22 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying  
 31.23 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

31.24 (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,  
 31.25 for a qualified low-income housing project described in paragraph (b), clause (5); or

31.26 (6) a limited partnership in which either:

31.27 (i) the sole general partner is an entity under clause (4); or

31.28 (ii) the managing partner is an entity under clause (4) and makes the following

31.29 disclosures in writing to an entity under clause (1) or (2):

31.30 (A) the names of all members of the partnership;

31.31 (B) the address for service of process of each member of the partnership; and

31.32 (C) the financing plan for the low-income housing project.

31.33 This exemption applies regardless of whether the purchases are made by the owner  
 31.34 of the facility or a contractor.

31.35 (b) For purposes of this exemption, "qualified low-income housing project" means:

32.1 (1) a housing or mixed use project in which at least 20 percent of the residential units  
32.2 are qualifying low-income rental housing units as defined in section 273.126;

32.3 (2) a federally assisted low-income housing project financed by a mortgage insured  
32.4 or held by the United States Department of Housing and Urban Development under  
32.5 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United  
32.6 States Code, title 42, section 1437f; the Native American Housing Assistance and  
32.7 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar  
32.8 successor federal low-income housing program;

32.9 (3) a qualified low-income housing project as defined in United States Code, title  
32.10 26, section 42(g), meeting all of the requirements for a low-income housing credit under  
32.11 section 42 of the Internal Revenue Code regardless of whether the project actually applies  
32.12 for or receives a low-income housing credit;

32.13 (4) a project that will be operated in compliance with Internal Revenue Service  
32.14 revenue procedure 96-32; or

32.15 (5) a housing or mixed use project in which all or a portion of the residential units  
32.16 are subject to the requirements of section 5 of the United States Housing Act of 1937.

32.17 (c) For a project, a portion of which is not used for low-income housing units,  
32.18 the amount of purchases that are exempt under this subdivision must be determined by  
32.19 multiplying the total purchases, as specified in paragraph (a), by the ratio of:

32.20 (1) the total gross square footage of units subject to the income limits under section  
32.21 273.126, the financing for the project, the federal low-income housing tax credit, revenue  
32.22 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable  
32.23 to the project; and

32.24 (2) the total gross square footage of all units in the project.

32.25 (d) The tax must be imposed and collected as if the rate under section 297A.62,  
32.26 subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

32.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
32.28 June 30, 2006.

32.29 Sec. 11. Minnesota Statutes 2004, section 297A.71, is amended by adding a  
32.30 subdivision to read:

32.31 **Subd. 37. Hydroelectric generating facility.** Materials and supplies used or  
32.32 consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating  
32.33 facility that meets the requirements of this subdivision are exempt. To qualify for the  
32.34 exemption under this subdivision, a hydroelectric generating facility must:

- 33.1       (1) utilize between 12 and 16 turbine generators at a dam site existing on March  
33.2       31, 1994;  
33.3       (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and  
33.4       (3) be eligible to receive a renewable energy production incentive payment under  
33.5       section 216C.41.

33.6       **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
33.7       April 30, 2006, and on or before December 31, 2009.

33.8       Sec. 12. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is  
33.9       amended to read:

33.10       Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
33.11       following exempt items must be imposed and collected as if the sale were taxable and the  
33.12       rate under section 297A.62, subdivision 1, applied. The exempt items include:

- 33.13       (1) capital equipment exempt under section 297A.68, subdivision 5;  
33.14       (2) building materials for an agricultural processing facility exempt under section  
33.15       297A.71, subdivision 13;  
33.16       (3) building materials for mineral production facilities exempt under section  
33.17       297A.71, subdivision 14;  
33.18       (4) building materials for correctional facilities under section 297A.71, subdivision  
33.19       3;  
33.20       (5) building materials used in a residence for disabled veterans exempt under section  
33.21       297A.71, subdivision 11;  
33.22       (6) elevators and building materials exempt under section 297A.71, subdivision 12;  
33.23       (7) building materials for the Long Lake Conservation Center exempt under section  
33.24       297A.71, subdivision 17;  
33.25       (8) materials, supplies, fixtures, furnishings, and equipment for a county law  
33.26       enforcement and family service center under section 297A.71, subdivision 26;  
33.27       (9) materials and supplies for qualified low-income housing under section 297A.71,  
33.28       subdivision 23; ~~and~~  
33.29       (10) materials, supplies, and equipment for municipal electric utility facilities under  
33.30       section 297A.71, subdivision 35;  
33.31       (11) products purchased for use as fuel for a commuter rail system exempt under  
33.32       section 297A.68, subdivision 19, clause (7); and  
33.33       (12) commuter rail construction materials, supplies, and equipment exempt under  
33.34       section 297A.68, subdivision 42.

34.1 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is  
 34.2 amended to read:

34.3 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 34.4 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 34.5 must be paid to the applicant. Only the following persons may apply for the refund:

34.6 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

34.7 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental  
 34.8 subdivision;

34.9 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
 34.10 provided in United States Code, title 38, chapter 21;

34.11 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
 34.12 property;

34.13 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing  
 34.14 project; ~~and~~

34.15 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or  
 34.16 a joint venture of municipal electric utilities; and

34.17 (7) for subdivision 1, clauses (11) and (12), the applicant must be the purchaser of  
 34.18 the fuel or construction materials, as applicable.

34.19 Sec. 14. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,  
 34.20 chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws  
 34.21 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

34.22 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,  
 34.23 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,  
 34.24 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on  
 34.25 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,  
 34.26 Subdivision 3, Clause (c). When the city council determines that the taxes imposed  
 34.27 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate  
 34.28 of one-half of one percent have produced revenue sufficient to pay (1) the debt service  
 34.29 on bonds in a principal amount of \$8,000,000 issued for capital improvements to the  
 34.30 Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds  
 34.31 originally issued in the principal amount of \$4,970,000 to finance capital improvements to  
 34.32 the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half  
 34.33 percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent.  
 34.34 When the city council determines that the taxes imposed under this subdivision at a rate  
 34.35 of three-quarters of one percent have produced revenue sufficient to pay debt service on

35.1 bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued  
35.2 for capital improvements for a new arena at the Duluth Entertainment and Convention  
35.3 Center, the rate of tax under this subdivision shall be reduced by three-quarters of one  
35.4 percent. The imposition of this tax shall not be subject to voter referendum under either  
35.5 state law or city charter provisions.

35.6 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
35.7 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section  
35.8 645.021, subdivisions 2 and 3.

35.9 Sec. 15. Laws 1996, chapter 471, article 2, section 29, is amended to read:

35.10 Sec. 29. **CITY OF HERMANTOWN; SALES AND USE TAX.**

35.11 Subdivision 1. **Sales and use tax authorized.** (a) Notwithstanding Minnesota  
35.12 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city  
35.13 charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax  
35.14 of up to one percent on sales transactions, storage, and use taxable pursuant to Minnesota  
35.15 Statutes, chapter 297A, that occur within the city.

35.16 (b) The proceeds of the first one-half of the one percent tax imposed under this  
35.17 section must be used to meet the costs of by the city for the following projects:

35.18 (1) extending a sewer interceptor line;

35.19 (2) construction of a booster pump station, reservoirs, and related improvements  
35.20 to the water system; and

35.21 (3) construction of a building containing a police and fire station and an  
35.22 administrative services facility.

35.23 (c) Revenues received from the remaining one-half of the one percent tax  
35.24 authorized under this section must be used by the city to pay all or part of the capital and  
35.25 administrative costs of developing, acquiring, constructing, and initially furnishing and  
35.26 equipping the following projects:

35.27 (1) construction of a new facility or purchase of an existing facility to be used as  
35.28 a public works facility;

35.29 (2) construction, signalization, and rehabilitation of primary collector roads and  
35.30 commercial frontage roads, within the city; and

35.31 (3) extension of a regional trunk sewer.

35.32 (d) Authorized expenses include, but are not limited to, acquiring property; paying  
35.33 construction, administrative, and operating expenses related to the development of the  
35.34 projects listed in paragraph (c); paying debt service on bonds or other obligations,  
35.35 including lease obligations, issued to finance construction, expansion, or improvement of

36.1 the projects listed in paragraph (c); and other compatible uses, including but not limited to,  
 36.2 parking, lighting, and landscaping.

36.3 Subd. 2. **Referendum.** (a) If the Hermantown city council proposes to impose the  
 36.4 sales tax authorized by this section, it shall conduct a referendum on the issue.

36.5 (b) If the Hermantown city council initially imposes the tax at a rate that is less than  
 36.6 one percent and proposes increasing the tax rate at a later date up to the full one percent, it  
 36.7 shall conduct a referendum on the increase of the tax rate.

36.8 (c) The question of imposing or increasing the tax must be submitted to the voters at  
 36.9 a special or general election. The tax may not be imposed unless a majority of votes cast  
 36.10 on the question of imposing the tax are in the affirmative. The commissioner of revenue  
 36.11 shall prepare a suggested form of question to be presented at the election. This subdivision  
 36.12 applies notwithstanding any city charter provision to the contrary.

36.13 Subd. 3. **Enforcement; collection; and administration of taxes.** A sales tax  
 36.14 imposed under this section must be reported and paid to the commissioner of revenue  
 36.15 with the state sales taxes, and be subject to the same penalties, interest, and enforcement  
 36.16 provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of  
 36.17 collection, shall be remitted at least quarterly to the city. The commissioner shall deduct  
 36.18 from the proceeds remitted an amount that equals the indirect statewide cost as well as the  
 36.19 direct and indirect department costs necessary to administer, audit, and collect the tax.  
 36.20 The amount deducted shall be deposited in the state general fund.

36.21 Subd. 3a. **Bonding authority.** (a) The city may issue general obligation bonds  
 36.22 under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c).  
 36.23 The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may  
 36.24 not exceed \$13,000,000 in the aggregate. An election to approve the bonds is not required.

36.25 (b) The bonds are not included in computing any debt limitation applicable to the  
 36.26 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of  
 36.27 and interest on the bonds is not subject to any levy limitation.

36.28 (c) The taxes authorized under this section may be pledged to and used for the  
 36.29 payment of the bonds and any bonds issued to refund them.

36.30 Subd. 4. **Termination.** ~~The portion of the tax authorized under this section to~~  
 36.31 ~~finance the improvements described in subdivision 1, paragraph (b), terminates at the later~~  
 36.32 ~~of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the~~  
 36.33 ~~second month next succeeding a determination by the city council that sufficient funds~~  
 36.34 ~~have been received from the tax to finance the improvements described in subdivision 1,~~  
 36.35 ~~clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium~~  
 36.36 ~~due on any bonds issued for the improvements on March 31, 2026. The portion of the~~

37.1 tax authorized to finance the improvements described in subdivision 1, paragraph (c),  
 37.2 terminates when the revenues raised are sufficient to finance those improvements, up to an  
 37.3 amount equal to \$13,000,000 plus any interest, premium, and other costs associated with  
 37.4 the bonds issued under subdivision 3a. The city council may terminate this portion of the  
 37.5 tax earlier. Any funds remaining after completion of the improvements and retirement or  
 37.6 redemption of the bonds may be placed in the general fund of the city.

37.7 ~~Subd. 5. Local approval, effective date. This section is effective the day after final~~  
 37.8 ~~enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by~~  
 37.9 ~~the city of Hermantown.~~

37.10 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
 37.11 the city of Hermantown and its chief clerical officer comply with Minnesota Statutes,  
 37.12 section 645.021, subdivisions 2 and 3.

37.13 Sec. 16. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to  
 37.14 read:

37.15 Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section  
 37.16 ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city  
 37.17 charter, if approved by the city voters at the first municipal general election held after the  
 37.18 date of final enactment of this act or at a special election held November 2, 1999, the city  
 37.19 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent  
 37.20 for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota  
 37.21 Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and  
 37.22 enforcement of the tax authorized under this subdivision.

37.23 (b) The city of Proctor may impose by ordinance an additional sales and use tax of  
 37.24 up to one-half of one percent if approved by the city voters at a general election or at a  
 37.25 special election held for this purpose. The revenues received from this additional tax must  
 37.26 be used for the purposes specified in subdivision 3, paragraph (b).

37.27 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
 37.28 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
 37.29 subdivision 3.

37.30 Sec. 17. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to  
 37.31 read:

38.1 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by  
38.2 subdivisions 1, paragraph (a), and 2 must be used by the city to pay the cost of collecting  
38.3 the taxes and to pay for construction and improvement of the following city facilities:

38.4 (1) streets; and

38.5 (2) constructing and equipping the Proctor community activity center.

38.6 Authorized expenses include, but are not limited to, acquiring property, paying  
38.7 construction and operating expenses related to the development of an authorized facility,  
38.8 and paying debt service on bonds or other obligations, including lease obligations, issued  
38.9 to finance the construction, expansion, or improvement of an authorized facility. The  
38.10 capital expenses for all projects authorized under this paragraph that may be paid with  
38.11 these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance  
38.12 of the bonds.

38.13 (b) Revenues received from taxes authorized by subdivision 1, paragraph (b),  
38.14 must be used by the city to pay the cost of collecting the taxes and for construction and  
38.15 improvements of city streets, public utilities, sidewalks, bikeways, and trails.

38.16 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
38.17 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
38.18 subdivision 3.

38.19 Sec. 18. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to  
38.20 read:

38.21 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
38.22 Statutes, chapter 475, to finance the capital expenditure and improvement projects  
38.23 described in subdivision 3. An election to approve the bonds under Minnesota Statutes,  
38.24 section 475.58, is not required.

38.25 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
38.26 sections 275.60 and ~~279.61~~ 275.61.

38.27 (c) The bonds are not included in computing any debt limitation applicable to the  
38.28 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of  
38.29 and interest on the bonds is not subject to any levy limitation.

38.30 (d) For projects described in subdivision 3, paragraph (a), the aggregate principal  
38.31 amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital  
38.32 expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to  
38.33 the costs related to issuance of the bonds, including interest on the bonds. For projects  
38.34 described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may



39.1 not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds,  
39.2 including interest on the bonds.

39.3 (e) The sales and use and excise taxes authorized in this section may be pledged to  
39.4 and used for the payment of the bonds and any bonds issued to refund them only if the  
39.5 bonds and any refunding bonds are general obligations of the city.

39.6 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
39.7 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
39.8 subdivision 3.

39.9 Sec. 19. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision  
39.10 3, is amended to read:

39.11 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
39.12 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation  
39.13 contained in the Minnesota Department of Transportation's Winona Intermodal study  
39.14 dated June 2002 and in the resolution approved by the city council on January 3, 2005, and  
39.15 all or a part of the capital costs of flood control projects approved by resolution of the city  
39.16 council on February 6, 2006, including securing or paying debt service on bonds issued  
39.17 under subdivision 4, for the transportation and flood control projects and to pay the cost  
39.18 of collecting and administering the tax. Authorized costs include, but are not limited to,  
39.19 acquiring property and paying construction and engineering costs related to the projects.

39.20 **EFFECTIVE DATE.** This section is effective the day after compliance by  
39.21 the governing body of the city of Winona with Minnesota Statutes, section 645.021,  
39.22 subdivision 3.

39.23 Sec. 20. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision  
39.24 1, is amended to read:

39.25  
39.26 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
39.27 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
39.28 voters pursuant to Minnesota Statutes, section 297A.99, ~~at the next~~ a general election  
39.29 held before January 1, 2008, the city of Worthington may impose by ordinance a sales  
39.30 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.

39.31 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section  
39.32 297A.99, govern the imposition, administration, collection, and enforcement of the tax  
39.33 authorized under this subdivision.

40.1

40.2 **EFFECTIVE DATE.** This section is effective the day following final enactment.

40.3 **Sec. 21. CITY OF AUSTIN; TAXES AUTHORIZED.**

40.4 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
40.5 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
40.6 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or  
40.7 special election held for that purpose before January 1, 2007, the city of Austin may  
40.8 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose  
40.9 specified in subdivision 2. Except as otherwise provided in this section, the provisions of  
40.10 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
40.11 and enforcement of the tax authorized under this subdivision.

40.12 Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision  
40.13 1 must be used by the city of Austin to pay all or part of the capital or administrative costs  
40.14 of flood mitigation projects in the city of Austin. Authorized expenses include, but are not  
40.15 limited to, acquiring property and paying construction and engineering expenses related  
40.16 to the flood mitigation projects.

40.17 Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose  
40.18 the tax authorized in subdivision 1, the city of Austin may issue without an additional  
40.19 election general obligation bonds of the city in an amount not to exceed \$14,000,000 to  
40.20 finance the costs for the projects specified in subdivision 2. The debt represented by the  
40.21 bonds must not be included in computing any debt limitations applicable to the city, and  
40.22 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or  
40.23 any interest on the bonds must not be subject to any levy limitation.

40.24 Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at  
40.25 the earlier of:

40.26 (1) 20 years after the date of initial imposition of the tax; or

40.27 (2) when the Austin City Council determines that the amount described in  
40.28 subdivision 2 has been received from the tax to finance the capital and administrative costs  
40.29 for the projects specified in subdivision 2, and to repay or retire at maturity, the principal,  
40.30 interest, and premium due on any bonds issued for the projects under subdivision 3.

40.31 Any funds remaining after completion of the projects specified in subdivision 2, and  
40.32 retirement or redemption of the bonds in subdivision 3, may be placed in the general fund  
40.33 of the city. The tax imposed under subdivision 1 may expire at an earlier time if the  
40.34 city so determines by ordinance.

41.1 **EFFECTIVE DATE.** This section is effective the day after compliance by  
41.2 the governing body of the city of Austin with Minnesota Statutes, section 645.021,  
3 subdivisions 2 and 3.

41.4 Sec. 22. **CITY OF BAXTER; TAXES AUTHORIZED.**

41.5 **Subdivision 1. Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
41.6 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
41.7 the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes,  
41.8 section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of  
41.9 one-half of one percent for the purposes specified in subdivision 3. The provisions of  
41.10 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
41.11 and enforcement of the tax authorized under this subdivision.

41.12 **Subd. 2. Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
41.13 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
41.14 Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax  
41.15 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any  
41.16 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

41.17 **Subd. 3. Use of revenues.** Revenues received from the taxes authorized by  
41.18 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
41.19 and to finance all or part of the costs of constructing an upgraded regional wastewater  
41.20 treatment facility to serve the cities of Brainerd and Baxter, building and equipping a  
41.21 fire substation, and constructing the Paul Bunyan bridge over Excelsior Road and other  
41.22 improvements. Authorized costs include, but are not limited to, acquiring property and  
41.23 paying construction and engineering costs related to the projects.

41.24 **Subd. 4. Bonds.** The city of Baxter, pursuant to the approval of the voters at the  
41.25 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may  
41.26 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
41.27 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt  
41.28 represented by the bonds is not included in computing any debt limitations applicable to  
41.29 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
41.30 principal of and interest on the bonds is not subject to any levy limitation or included in  
41.31 computing or applying any levy limitation applicable to the city of Baxter.

41.32 **Subd. 5. Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
41.33 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter  
41.34 City Council first determines that the amount of revenues raised from the taxes to pay for  
41.35 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the

42.1 projects under subdivision 3. Any funds remaining after the expiration of the taxes and  
42.2 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The  
42.3 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of  
42.4 Baxter so determines by ordinance.

42.5 **EFFECTIVE DATE.** This section is effective the day after compliance by  
42.6 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,  
42.7 subdivision 3.

42.8 **Sec. 23. CITY OF BRAINERD; TAXES AUTHORIZED.**

42.9 **Subdivision 1. Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
42.10 section 477A.016, or any other provision of law, ordinance, or city charter, contingent  
42.11 on the approval of the voters on the November 7, 2006, referendum, and pursuant to  
42.12 Minnesota Statutes, section 297A.99, the city of Brainerd may impose by ordinance a sales  
42.13 and use tax of one-half of one percent for the purposes specified in subdivision 3. The  
42.14 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,  
42.15 collection, and enforcement of the tax authorized under this section.

42.16 **Subd. 2. Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
42.17 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd  
42.18 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
42.19 to \$20 per motor vehicle, as defined by ordinance, purchased, or acquired from any person  
42.20 engaged within the city of Brainerd in the business of selling motor vehicles at retail.

42.21 **Subd. 3. Use of revenues.** Revenues received from the taxes authorized by  
42.22 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
42.23 and to finance all or part of the costs of constructing an upgraded regional wastewater  
42.24 treatment facility to serve the cities of Brainerd and Baxter, water infrastructure  
42.25 improvements, and trail development, contingent on approval by Brainerd voters at the  
42.26 November 7, 2006, referendum. Authorized costs include, but are not limited to, acquiring  
42.27 property and paying construction and engineering costs related to the projects.

42.28 **Subd. 4. Bonds.** The city of Brainerd, contingent on approval of the voters at the  
42.29 November 7, 2006, referendum authorizing the imposition of taxes in this section, may  
42.30 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
42.31 amount not to exceed \$22,030,000 to finance the projects listed in subdivision 3. The debt  
42.32 represented by the bonds is not included in computing any debt limitations applicable to  
42.33 Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
42.34 principal and interest on the bonds is not subject to any levy limitation or included in  
42.35 computing any levy limitation applicable to the city of Brainerd.

43.1        Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
43.2 expire at the earlier of a date 12 years after the imposition of the tax or when the city  
43.3 council first determines that the amount of revenues raised from the taxes to pay for  
43.4 projects equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects  
43.5 under subdivision 3. Any funds remaining after the expiration of the taxes and retirement  
43.6 of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes  
43.7 imposed under subdivisions 1 and 2 may expire at an earlier time if the city of Brainerd so  
43.8 determines by ordinance.

43.9        EFFECTIVE DATE. This section is effective the day after compliance by the  
43.10 governing body of the city of Brainerd with Minnesota Statutes, section 645.021,  
43.11 subdivision 3.

12        **Sec. 24. CITY OF BREEZY POINT; TAXES AUTHORIZED.**

43.13        Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
43.14 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
43.15 the approval of the voters at the general election on November 7, 2006, and pursuant to  
43.16 Minnesota Statutes, section 297A.99, the city of Breezy Point may impose by ordinance  
43.17 a sales and use tax of one-half of one percent for the purposes specified in subdivision  
43.18 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
43.19 administration, collection, and enforcement of the tax authorized under this subdivision.

43.20        Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section  
43.21 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
43.22 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an  
43.23 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired  
43.24 from any person engaged within the city of Breezy Point in the business of selling motor  
43.25 vehicles at retail.

43.26        Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
43.27 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
43.28 and to finance sanitary sewer and storm sewer improvements as approved by the voters  
43.29 at the referendum authorizing the tax. Authorized costs include, but are not limited to,  
43.30 acquiring property and paying construction and engineering costs related to the projects.

43.31        Subd. 4. Bonds. The city of Breezy Point, pursuant to the approval of the voters at  
43.32 the referendum authorizing the imposition of the taxes in this section, may issue general  
43.33 obligation bonds of the city, in one or more series, in the aggregate principal amount not to  
43.34 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented  
43.35 by the bonds is not included in computing any debt limitations applicable to the city, and

44.1 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of  
44.2 and interest on the bonds is not subject to any levy limitation or included in computing or  
44.3 applying any levy limitation applicable to the city.

44.4 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
44.5 expire 15 years after the imposition of the tax or when the Breezy Point City Council  
44.6 first determines that the amount of revenues raised from the taxes to pay for the projects  
44.7 equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under  
44.8 subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes  
44.9 and retirement of the bonds may be placed in the general fund or in a capital project fund  
44.10 of the city of Breezy Point. The taxes imposed under subdivisions 1 and 2 may expire  
44.11 at an earlier time if the city so determines by ordinance.

44.12 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
44.13 governing body of the city of Breezy Point with Minnesota Statutes, section 645.021,  
44.14 subdivision 3.

44.15 **Sec. 25. CITY OF CLOQUET; TAXES AUTHORIZED.**

44.16 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
44.17 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
44.18 voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for  
44.19 this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to  
44.20 one-half of one percent for the purpose specified in subdivision 3. Except as provided in  
44.21 this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
44.22 administration, collection, and enforcement of the tax authorized under this subdivision.

44.23 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
44.24 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet  
44.25 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
44.26 to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person  
44.27 engaged within the city in the business of selling motor vehicles at retail.

44.28 Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions  
44.29 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the  
44.30 following projects:

44.31 (1) construction and completion of park improvement projects, including  
44.32 reconstruction of the Pinehurst Park swimming pool complex, St. Louis River Riverfront  
44.33 improvements, Veteran's Park construction, and enhancements to the Hilltop Park soccer  
44.34 complex and Braun Park baseball complex; and

45.1 (2) extension of utilities and the construction of all improvements associated with  
45.2 the new Cloquet Industrial Park.

3 Authorized expenses include, but are not limited to, acquiring property and paying  
45.4 construction expenses related to these improvements, and paying debt service on bonds or  
45.5 other obligations issued to finance acquisition and construction of these improvements.

45.6 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
45.7 Statutes, chapter 475, to pay capital and administrative expenses for the improvements  
45.8 described in subdivision 3 in an amount that does not exceed \$9,000,000. An election to  
45.9 approve the bonds under Minnesota Statutes, section 475.58, is not required.

45.10 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
45.11 sections 275.60 and 275.61.

45.12 (c) The debt represented by the bonds is not included in computing any debt  
45.13 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
45.14 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

45.15 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
45.16 expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient  
45.17 funds have been received from the taxes to finance the capital and administrative costs of  
45.18 the improvements described in subdivision 3, plus the additional amount needed to pay  
45.19 the costs related to issuance of bonds under subdivision 4, including interest on the bonds.  
45.20 Any funds remaining after completion of the project and retirement or redemption of the  
45.21 bonds may be placed in the general fund of the city. The taxes imposed under subdivisions  
45.22 1 and 2 may expire at an earlier time if the city so determines by ordinance.

45.23 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
45.24 the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes,  
45.25 section 645.021, subdivisions 2 and 3.

45.26 **Sec. 26. CITY OF ELY; TAXES AUTHORIZED.**

45.27 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
45.28 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
45.29 voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by  
45.30 ordinance a sales and use tax of up to one percent for the purposes specified in subdivision  
45.31 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes,  
45.32 section 297A.99, govern the imposition, administration, collection, and enforcement of  
4 the tax authorized under this subdivision.

45.34 Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section  
45.35 shall be used for the following:

- 46.1 (1) land acquisition and site development;  
46.2 (2) installations of improvements authorized by Minnesota Statutes, chapter 429;  
46.3 (3) development or redevelopment activities in the central business district of Ely;  
46.4 (4) business park development;  
46.5 (5) development of a small business incubator;  
46.6 (6) development of a technology center; and  
46.7 (7) improvements to the Ely Community Center and City Hall needed to bring them  
46.8 into compliance with the Americans with Disabilities Act.

46.9 Subd. 3. **Bonding authority.** The city of Ely may issue bonds in an amount not  
46.10 to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital  
46.11 expenditures and improvements authorized by the referendum under subdivision 4. An  
46.12 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.  
46.13 The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section  
46.14 275.60 or 275.61. The debt represented by the bonds must not be included in computing  
46.15 any debt limitations applicable to the city, and the levy of taxes required by Minnesota  
46.16 Statutes, section 475.61, to pay the principal or any interest on the bonds and must not  
46.17 be subject to any levy limitation.

46.18 Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at  
46.19 the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely  
46.20 City Council determines that the amount of revenues raised to pay for the projects under  
46.21 subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to  
46.22 finance the capital and administrative costs of the projects specified in subdivision 2, and  
46.23 to repay or retire at maturity the principal, interest, and premium due on any bonds issued  
46.24 for the projects under subdivision 3. Any funds remaining after completion of the projects  
46.25 specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3,  
46.26 may be placed in the general fund of the city. The tax imposed under subdivision 1 may  
46.27 expire at an earlier time if the city so determines by ordinance.

46.28 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
46.29 governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions  
46.30 2 and 3.

46.31 Sec. 27. **CITY OF LUVERNE; TAXES AUTHORIZED.**

46.32 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
46.33 section 477A.016, or any other provision of law, ordinance, or city charter, if approved  
46.34 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may  
46.35 impose by ordinance a sales and use tax of one-half of one percent for the purposes



47.1 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
47.2 the imposition, administration, collection, and enforcement of the tax authorized under  
3 this subdivision.

47.4 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
47.5 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
47.6 Luverne may impose by ordinance, for the purposes specified in subdivision 3, an excise  
47.7 tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from  
47.8 any person engaged within the city in the business of selling motor vehicles at retail.

47.9 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
47.10 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the  
47.11 taxes and to pay all or part of the expenses for capital improvements and renovation of  
47.12 the Historic Palace Theatre in an amount not to exceed \$3,000,000. Authorized expenses  
47.13 include, but are not limited to, acquiring property and paying construction expenses  
47.14 related to the project, and paying debt service on bonds or other obligations issued to  
47.15 finance the acquisition and improvements.

47.16 Subd. 4. **Bonds.** If the taxes under subdivisions 1 and 2 are approved by voters  
47.17 pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may issue, without  
47.18 an additional election, bonds, in one or more series, in the aggregate principal amount  
47.19 not to exceed \$3,000,000 to pay capital and administrative costs of the projects listed in  
47.20 subdivision 3. The debt represented by the bonds is not included in computing any debt  
47.21 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
47.22 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
47.23 limitation or included in computing or applying any levy limitation applicable to the city.

47.25 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
47.26 expire at the later of 30 years after the imposition of the tax or when the Luverne city  
47.27 council determines that sufficient funds have been received from the taxes to prepay  
47.28 or retire at maturity the principal, interest, and premium due on any bonds issued for  
47.29 the project under subdivision 4. Any funds remaining after expiration of the taxes and  
47.30 retirement of the bonds may be placed in a capital project fund of the city. The taxes  
47.31 imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines  
by ordinance.

47.32 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
47.33 governing body of the city of Luverne with Minnesota Statutes, section 645.021,  
4 subdivision 3.

47.35 Sec. 28. **CITY OF MEDFORD; SALES AND USE TAX.**

48.1        Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
48.2 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
48.3 the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election,  
48.4 the city of Medford may impose by ordinance a sales and use tax of one-half of one  
48.5 percent for the purposes specified in subdivision 2. Except as otherwise provided in this  
48.6 section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
48.7 administration, collection, and enforcement of the tax authorized under this subdivision.

48.8        Subd. 2. Use of revenues. The proceeds of the tax imposed under this section must  
48.9 be used by the city of Medford to pay the costs of collecting and administering the tax and  
48.10 to pay up to \$5,000,000 in costs to improve the city's wastewater system and wastewater  
48.11 treatment plant. Authorized expenses include, but are not limited to, acquiring property  
48.12 and paying construction expenses and debt service on bonds or other obligations issued to  
48.13 finance acquisition and construction of the improvements.

48.14        Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is  
48.15 approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475,  
48.16 to pay the capital and administrative expenses for the improvement projects authorized  
48.17 under subdivision 2. The total amount of bonds issued for the projects listed in subdivision  
48.18 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under  
48.19 Minnesota Statutes, section 475.58, is not required.

48.20        (b) The debt represented by the bonds is not included in computing any debt  
48.21 limitation applicable to the city of Medford, and the levy of taxes under Minnesota  
48.22 Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to  
48.23 any levy limitation.

48.24        Subd. 4. Termination of taxes. The tax imposed under this section expires at the  
48.25 earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford  
48.26 City Council determines that the amount of revenues received from the tax equals or  
48.27 exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of  
48.28 bonds under subdivision 3, including interest on the bonds. Any funds remaining after  
48.29 completion of the projects and retirement or redemption of the bonds may be placed in the  
48.30 general fund of the city. The tax imposed under subdivision 1 may expire at an earlier  
48.31 time if the city so determines by ordinance.

48.32        EFFECTIVE DATE. This section is effective the day after compliance by the  
48.33 governing body of the city of Medford with Minnesota Statutes, section 645.021,  
48.34 subdivision 3.

48.35        Sec. 29. CITY OF NORTH MANKATO; TAXES AUTHORIZED.

49.1        Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
49.2 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
49.3 the voters pursuant to Minnesota Statutes, section 297A.99, the city of North Mankato  
49.4 may impose by ordinance a sales and use tax of one-half of one percent for the purposes  
49.5 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
49.6 the imposition, administration, collection, and enforcement of the taxes authorized under  
49.7 this subdivision.

49.8        Subd. 2. **Use of revenues.** Revenues received from the tax authorized by  
49.9 subdivision 1 must be used to pay all or part of the capital costs of the following projects:

49.10        (1) the local share of the marked Trunk Highway 14/County State-Aid Highway  
49.11 41 interchange project, including a connection to the North Port Industrial Park and trail  
49.12 connections to the scenic byway along the Minnesota River, the Nicollet County Park,  
49.13 existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

49.14        (2) development of regional parks and hiking and biking trails in Caswell Park,  
49.15 Benson Park, and Spring Lake Park;

49.16        (3) riverfront redevelopment projects; and

49.17        (4) lake improvement projects.

49.18        The total amount of revenues from the tax in subdivision 1 that may be used to fund  
49.19 these projects is \$5,250,000 plus any associated bond costs.

49.20        Subd. 3. **Bonds.** (a) The city of North Mankato, if approved by voters pursuant to  
49.21 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter  
49.22 475, to pay capital and administrative expenses for the projects described in subdivision 2,  
49.23 in an amount that does not exceed \$5,250,000. A separate election to approve the bonds  
49.24 under Minnesota Statutes, section 475.58, is not required.

49.25        (b) The debt represented by the bonds is not included in computing any debt  
49.26 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
49.27 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

49.28        Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the  
49.29 later of (1) 15 years, or (2) when the city council determines that the amount of revenues  
49.30 received from the taxes to pay for the projects under subdivision 2 first equals or exceeds  
49.31 the amount authorized to be spent for each project plus the additional amount needed to  
49.32 pay the costs related to issuance of the bonds under subdivision 3, including interest  
49.33 on the bonds. Any funds remaining after completion of the projects and retirement or  
49.34 redemption of the bonds shall be placed in a capital facilities and equipment replacement  
49.35 fund of the city. The tax imposed under section 1 may expire at an earlier time if the  
49.36 city so determines by ordinance.

50.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
50.2 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,  
50.3 subdivision 3.

50.4 **Sec. 30. CITY OF OWATONNA; TAXES AUTHORIZED.**

50.5 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
50.6 section 477A.016, or any other provision of law, ordinance, or city charter, if approved  
50.7 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Owatonna  
50.8 may impose by ordinance a sales and use tax of one-half of one percent for the purposes  
50.9 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
50.10 the imposition, administration, collection, and enforcement of the taxes authorized under  
50.11 this subdivision.

50.12 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
50.13 477A.016, or any other provision of law, ordinance, or city charter, the city of Owatonna  
50.14 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of  
50.15 \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person  
50.16 engaged within the city in the business of selling motor vehicles at retail.

50.17 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
50.18 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation  
50.19 projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota  
50.20 Department of Transportation, Steele County, and the city of Owatonna; regional parks  
50.21 and trail developments, West Hills complex, firehall, and library improvement projects;  
50.22 and a public safety radio system; as described in the city resolution No. 4-06, Exhibit  
50.23 A, as adopted by the city on January 17, 2006. The amount paid from these revenues  
50.24 for transportation projects may not exceed \$4,450,000 plus associated bond costs. The  
50.25 amount paid from these revenues for park and trail projects may not exceed \$5,400,000  
50.26 plus associated bond costs. The amount paid from these revenues for West Hills complex,  
50.27 fire hall, and library improvement projects may not exceed \$2,823,000 plus associated  
50.28 bond costs. The amount paid from these revenues for a public safety radio system may not  
50.29 exceed \$500,000 plus associated bond costs.

50.30 Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to  
50.31 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter  
50.32 475, to pay capital and administrative expenses for the projects described in subdivision 3,  
50.33 in an amount that does not exceed \$13,200,000. A separate election to approve the bonds  
50.34 under Minnesota Statutes, section 475.58, is not required.

51.1 (b) The debt represented by the bonds is not included in computing any debt  
51.2 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
3 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

51.4 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
51.5 expire at the earlier of (1) ten years, or (2) when the city council determines that the  
51.6 amount of revenues received from the taxes to pay for the projects under subdivision 3 first  
51.7 equals or exceeds the amount authorized to be spent for each project plus the additional  
51.8 amount needed to pay the costs related to issuance of the bonds under subdivision 4,  
51.9 including interest on the bonds. Any funds remaining after completion of the projects  
51.10 and retirement or redemption of the bonds shall be placed in a capital project fund of  
51.11 the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the  
51.12 city so determines by ordinance.

13 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
51.14 governing body of the city of Owatonna with Minnesota Statutes, section 645.021,  
51.15 subdivision 3.

51.16 **Sec. 31. CITY OF PARK RAPIDS.**

51.17 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
51.18 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
51.19 the approval of the city voters at the next general election or at a special election held for  
51.20 this purpose, the city of Park Rapids may impose by ordinance a sales and use tax of one  
51.21 percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes,  
51.22 section 297A.99, govern the imposition, administration, collection, and enforcement of  
51.23 the tax authorized under this subdivision.

51.24 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by  
51.25 subdivision 1 must be used for the cost of collecting and administering the tax and to  
51.26 pay all or part of the capital or administrative costs of the development, acquisition,  
51.27 construction, and improvement of the following projects:

51.28 (1) two-thirds of the cost of construction and operation of a community center that  
51.29 may include a senior citizen center, fitness center, swimming pool, meeting rooms, indoor  
51.30 track, and racquetball, basketball, and tennis courts, provided that an amount equal to  
51.31 one-third of the cost of construction is received from private sources;

51.32 (2) capital improvement projects including, but not limited to, installation of water,  
51.33 sewer, storm sewer, street improvements, new city water tower and well, costs related to  
51.34 improvements to marked trunk highway 34; and

51.35 (3) park improvements.

52.1 Authorized expenses include, but are not limited to, acquiring property, paying  
 52.2 construction expenses related to the development of these facilities and improvements,  
 52.3 and securing and paying debt service on bonds or other obligations issued to finance  
 52.4 acquisition, construction, improvement, or development.

52.5 Subd. 3. **Bonds.** Pursuant to the approval of the city voters to impose the tax  
 52.6 authorized in subdivision 1, the city of Park Rapids may issue without an additional  
 52.7 election general obligation bonds of the city to pay capital and administrative expenses  
 52.8 for the acquisition, construction, improvement, and development of the projects specified  
 52.9 in subdivision 2. The debt represented by the bonds must not be included in computing  
 52.10 any debt limitations applicable to the city, and the levy of taxes required by Minnesota  
 52.11 Statutes, section 475.61, to pay the principal or any interest on the bonds must not be  
 52.12 subject to any levy limitations or be included in computing or applying any levy limitation  
 52.13 applicable to the city.

52.14 Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires July  
 52.15 1, 2025. Any funds remaining after completion of the projects specified in subdivision  
 52.16 2 and retirement or redemption of the bonds may be placed in the general fund of the  
 52.17 city. The tax imposed under subdivision 1 may expire at an earlier time if the city so  
 52.18 determines by ordinance.

52.19 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 52.20 governing body of the city of Park Rapids with Minnesota Statutes, section 645.021,  
 52.21 subdivision 3.

52.22 **Sec. 32. THIEF RIVER FALLS COMMUNITY CENTER.**

52.23 The city of Thief River Falls may incorporate or authorize the incorporation of a  
 52.24 nonprofit corporation to operate a community or regional center in the city. A nonprofit  
 52.25 corporation incorporated under this section is exempt from payment of sales and use tax  
 52.26 on materials, equipment, and supplies consumed or incorporated into the construction of  
 52.27 the community or regional center. The exemption under this section applies to purchases  
 52.28 by the nonprofit corporation, a contractor, subcontractor, or builder. A contractor,  
 52.29 subcontractor, or builder that does not pay sales tax on purchases for construction of the  
 52.30 community or regional center shall not charge sales or use tax to the nonprofit corporation.  
 52.31 The nonprofit corporation may file a claim for refund for any sales taxes paid on the  
 52.32 construction costs of the community or regional center, and the commissioner of revenue  
 52.33 shall pay the refunded amount directly to the nonprofit corporation.

53.1 **EFFECTIVE DATE.** This section is effective retroactively for purchases made  
53.2 on and after July 1, 2002.

53.3 **ARTICLE 4**  
53.4 **FOREIGN OPERATING CORPORATIONS**

53.5 Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b,  
53.6 is amended to read:

53.7 Subd. 6b. **Foreign operating corporation.** The term "foreign operating  
53.8 corporation," when applied to a corporation, means a domestic corporation with the  
53.9 following characteristics:

53.10 (1) it is part of a unitary business at least one member of which is taxable in this state;

53.11 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue  
53.12 Code, as amended through December 31, 1999, for the taxable year;

53.13 (3) ~~either (i) the average of the percentages of its property and payrolls, including~~  
53.14 ~~the pro rata share of its unitary partnerships' property and payrolls, assigned to locations~~  
53.15 ~~outside the United States, where the United States includes the District of Columbia and~~  
53.16 ~~excludes the commonwealth of Puerto Rico and possessions of the United States, as~~  
53.17 ~~determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a~~  
53.18 valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent  
53.19 of the gross income from all sources of the corporation in the tax year is active foreign  
53.20 business income; and

53.21 (4) ~~it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under~~  
53.22 ~~section 290.191 or 290.20, that are located outside the United States. If the domestic~~  
53.23 ~~corporation does not have payroll as determined under section 290.191 or 290.20, but it~~  
53.24 ~~or its partnerships have paid \$1,000,000 for work, performed directly for the domestic~~  
53.25 ~~corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not~~  
53.26 ~~require payrolls to be included in the average calculation for purposes of this subdivision,~~  
53.27 active foreign business income means gross income that is (i) derived from sources  
53.28 without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the  
53.29 Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in  
53.30 a foreign country.

53.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
53.32 December 31, 2005.

54.1 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19c, is  
54.2 amended to read:

54.3 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
54.4 there shall be added to federal taxable income:

54.5 (1) the amount of any deduction taken for federal income tax purposes for income,  
54.6 excise, or franchise taxes based on net income or related minimum taxes, including but not  
54.7 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
54.8 another state, a political subdivision of another state, the District of Columbia, or any  
54.9 foreign country or possession of the United States;

54.10 (2) interest not subject to federal tax upon obligations of: the United States, its  
54.11 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
54.12 state, any of its political or governmental subdivisions, any of its municipalities, or any  
54.13 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
54.14 tribal governments;

54.15 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
54.16 Revenue Code;

54.17 (4) the amount of any net operating loss deduction taken for federal income tax  
54.18 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
54.19 deduction under section 810 of the Internal Revenue Code;

54.20 (5) the amount of any special deductions taken for federal income tax purposes  
54.21 under sections 241 to 247 of the Internal Revenue Code;

54.22 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
54.23 clause (a), that are not subject to Minnesota income tax;

54.24 (7) the amount of any capital losses deducted for federal income tax purposes under  
54.25 sections 1211 and 1212 of the Internal Revenue Code;

54.26 (8) the exempt foreign trade income of a foreign sales corporation under sections  
54.27 921(a) and 291 of the Internal Revenue Code;

54.28 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
54.29 291 of the Internal Revenue Code;

54.30 (10) for certified pollution control facilities placed in service in a taxable year  
54.31 beginning before December 31, 1986, and for which amortization deductions were elected  
54.32 under section 169 of the Internal Revenue Code of 1954, as amended through December  
54.33 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
54.34 income for those facilities;

54.35 (11) the amount of any deemed dividend from a foreign operating corporation  
54.36 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend



55.1 shall be reduced by the amount of the addition to income required by clauses (19), (20),  
55.2 (21), and (22);

55.3 (12) the amount of a partner's pro rata share of net income which does not flow  
55.4 through to the partner because the partnership elected to pay the tax on the income under  
55.5 section 6242(a)(2) of the Internal Revenue Code;

55.6 (13) the amount of net income excluded under section 114 of the Internal Revenue  
55.7 Code;

55.8 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
55.9 Revenue Code, for the taxable year when subpart F income is calculated without regard  
55.10 to the provisions of section 614 of Public Law 107-147;

55.11 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
55.12 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
55.13 has an activity that in the taxable year generates a deduction for depreciation under  
55.14 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
55.15 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
55.16 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
55.17 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
55.18 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
55.19 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
55.20 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

55.21 (16) 80 percent of the amount by which the deduction allowed by section 179 of the  
55.22 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
55.23 Revenue Code of 1986, as amended through December 31, 2003;

55.24 (17) to the extent deducted in computing federal taxable income, the amount of the  
55.25 deduction allowable under section 199 of the Internal Revenue Code; ~~and~~

55.26 (18) the exclusion allowed under section 139A of the Internal Revenue Code for  
55.27 federal subsidies for prescription drug plans;

55.28 (19) an amount equal to the interest and intangible expenses, losses, and costs paid,  
55.29 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit  
55.30 of a corporation that is a member of the taxpayer's unitary business group that qualifies  
55.31 as a foreign operating corporation. For purposes of this clause, intangible expenses and  
55.32 costs include:

55.33 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,  
55.34 use, maintenance or management, ownership, sale, exchange, or any other disposition of  
55.35 intangible property;

- 56.1 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
 56.2 transactions;
- 56.3 (iii) royalty, patent, technical, and copyright fees;
- 56.4 (iv) licensing fees; and
- 56.5 (v) other similar expenses and costs.

56.6 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 56.7 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 56.8 secrets, and similar types of intangible assets.

56.9 This clause does not apply to any item of interest or intangible expenses or costs paid,  
 56.10 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect  
 56.11 to such item of income to the extent that the income to the foreign operating corporation  
 56.12 is income from sources without the United States as defined in subtitle A, chapter 1,  
 56.13 subchapter N, part 1, of the Internal Revenue Code;

56.14 (20) except as already included in the taxpayer's taxable income pursuant to clause  
 56.15 (19), any interest income and income generated from intangible property received or  
 56.16 accrued by a foreign operating corporation that is a member of the taxpayer's unitary  
 56.17 group. For purposes of this clause, income generated from intangible property includes:

- 56.18 (i) income related to the direct or indirect acquisition, use, maintenance or  
 56.19 management, ownership, sale, exchange, or any other disposition of intangible property;
- 56.20 (ii) income from factoring transactions or discounting transactions;
- 56.21 (iii) royalty, patent, technical, and copyright fees;
- 56.22 (iv) licensing fees; and
- 56.23 (v) other similar income.

56.24 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 56.25 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 56.26 secrets, and similar types of intangible assets.

56.27 This clause does not apply to any item of interest or intangible income received or accrued  
 56.28 by a foreign operating corporation with respect to such item of income to the extent that  
 56.29 the income is income from sources without the United States as defined in subtitle A,  
 56.30 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

56.31 (21) the dividends attributable to the income of a foreign operating corporation that  
 56.32 is a member of the taxpayer's unitary group in an amount that is equal to the dividends  
 56.33 paid deduction of a real estate investment trust under section 561(a) of the Internal  
 56.34 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
 56.35 foreign operating corporation; and

57.1           (22) the income of a foreign operating corporation that is a member of the taxpayer's  
57.2           unitary group in an amount that is equal to gains derived from the sale of real or personal  
57.3           property located in the United States.

57.4           **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
57.5           December 31, 2005.

57.6           Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19d, is  
57.7           amended to read:

57.8           Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
57.9           corporations, there shall be subtracted from federal taxable income after the increases  
57.10          provided in subdivision 19c:

57.11           (1) the amount of foreign dividend gross-up added to gross income for federal  
57.12           income tax purposes under section 78 of the Internal Revenue Code;

57.13           (2) the amount of salary expense not allowed for federal income tax purposes due to  
57.14           claiming the federal jobs credit under section 51 of the Internal Revenue Code;

57.15           (3) any dividend (not including any distribution in liquidation) paid within the  
57.16           taxable year by a national or state bank to the United States, or to any instrumentality of  
57.17           the United States exempt from federal income taxes, on the preferred stock of the bank  
57.18           owned by the United States or the instrumentality;

57.19           (4) amounts disallowed for intangible drilling costs due to differences between  
57.20           this chapter and the Internal Revenue Code in taxable years beginning before January  
57.21           1, 1987, as follows:

57.22           (i) to the extent the disallowed costs are represented by physical property, an amount  
57.23           equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
57.24           subdivision 7, subject to the modifications contained in subdivision 19e; and

57.25           (ii) to the extent the disallowed costs are not represented by physical property, an  
57.26           amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
57.27           290.09, subdivision 8;

57.28           (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
57.29           Internal Revenue Code, except that:

57.30           (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
57.31           capital loss carrybacks shall not be allowed;

57.32           (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
57.33           a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
57.34           allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

60.1 Sec. 4. Minnesota Statutes 2004, section 290.34, subdivision 1, is amended to read:

60.2 Subdivision 1. **Business conducted in such a way as to create losses or improper**  
60.3 **taxable net income.** (a) When any corporation liable to taxation under this chapter  
60.4 conducts its business in such a manner as, directly or indirectly, to benefit its members  
60.5 or stockholders or any person or corporation interested in such business or to reduce the  
60.6 income attributable to this state by selling the commodities or services in which it deals  
60.7 at less than the fair price which might be obtained therefor, or buying such commodities  
60.8 or services at more than the fair price for which they might have been obtained, or when  
60.9 any corporation, a substantial portion of whose shares is owned directly or indirectly by  
60.10 another corporation, deals in the commodities or services of the latter corporation in such  
60.11 a manner as to create a loss or improper net income or to reduce the taxable net income  
60.12 attributable to this state, the commissioner of revenue may determine the amount of its  
60.13 income so as to reflect what would have been its reasonable taxable net income but for the  
60.14 arrangements causing the understatement of its taxable net income or the overstatement of  
60.15 its losses, having regard to the fair profits which, but for any agreement, arrangement, or  
60.16 understanding, might have been or could have been obtained from such business.

60.17 (b) When any corporation engages in a transaction or series of transactions whose  
60.18 primary business purpose is the avoidance of tax, or engages in a transaction or series of  
60.19 transactions without economic substance, that transaction or series of transactions shall be  
60.20 disregarded and the commissioner shall determine taxable net income without regard for  
60.21 any such transaction or series of transactions.

60.22 Sec. 5. **INTENT OF LEGISLATURE.**

60.23 Section 4 does not change Minnesota law, but merely clarifies the legislature's  
60.24 intention with respect to transactions without economic substance or business purpose.

60.25 **ARTICLE 5**  
60.26 **PROPERTY TAXES**

60.27 Section 1. Minnesota Statutes 2004, section 116J.993, subdivision 3, is amended to  
60.28 read:

60.29 Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local  
60.30 government agency grant, contribution of personal property, real property, infrastructure,  
60.31 the principal amount of a loan at rates below those commercially available to the recipient,  
60.32 any reduction or deferral of any tax or any fee, any guarantee of any payment under any  
60.33 loan, lease, or other obligation, or any preferential use of government facilities given  
60.34 to a business.

- 61.1 The following forms of financial assistance are not a business subsidy:
- 61.2 (1) a business subsidy of less than \$25,000;
- 61.3 (2) assistance that is generally available to all businesses or to a general class of
- 61.4 similar businesses, such as a line of business, size, location, or similar general criteria;
- 61.5 (3) public improvements to buildings or lands owned by the state or local
- 61.6 government that serve a public purpose and do not principally benefit a single business or
- 61.7 defined group of businesses at the time the improvements are made;
- 61.8 (4) redevelopment property polluted by contaminants as defined in section 116J.552,
- 61.9 subdivision 3;
- 61.10 (5) assistance provided for the sole purpose of renovating old or decaying building
- 61.11 stock or bringing it up to code and assistance provided for designated historic preservation
- 61.12 districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- 61.13 (6) assistance to provide job readiness and training services if the sole purpose of
- 61.14 the assistance is to provide those services;
- 61.15 (7) assistance for housing;
- 61.16 (8) assistance for pollution control or abatement, including assistance for a tax
- 61.17 increment financing hazardous substance subdistrict as defined under section 469.174,
- 61.18 subdivision 23;
- 61.19 (9) assistance for energy conservation;
- 61.20 (10) tax reductions resulting from conformity with federal tax law;
- 61.21 (11) workers' compensation and unemployment insurance;
- 61.22 (12) benefits derived from regulation;
- 61.23 (13) indirect benefits derived from assistance to educational institutions;
- 61.24 (14) funds from bonds allocated under chapter 474A, bonds issued to refund
- 61.25 outstanding bonds, and bonds issued for the benefit of an organization described in section
- 61.26 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- 61.27 (15) assistance for a collaboration between a Minnesota higher education institution
- 61.28 and a business;
- 61.29 (16) assistance for a tax increment financing soils condition district as defined under
- 61.30 section 469.174, subdivision 19;
- 61.31 (17) redevelopment when the recipient's investment in the purchase of the site
- 61.32 and in site preparation is 70 percent or more of the assessor's current year's estimated
- 61.33 market value;
- 61.34 (18) general changes in tax increment financing law and other general tax law
- 61.35 changes of a principally technical nature;

- 62.1 (19) federal assistance until the assistance has been repaid to, and reinvested by, the  
 62.2 state or local government agency;
- 62.3 (20) funds from dock and wharf bonds issued by a seaway port authority;
- 62.4 (21) business loans and loan guarantees of \$75,000 or less; ~~and~~
- 62.5 (22) federal loan funds provided through the United States Department of  
 62.6 Commerce, Economic Development Administration; and
- 62.7 (23) property tax abatements granted under section 469.1813 to property that is  
 62.8 subject to valuation under Minnesota Rules, chapter 8100.

62.9 Sec. 2. Minnesota Statutes 2004, section 123B.53, subdivision 5, is amended to read:

62.10 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a  
 62.11 district equals the sum of the first tier equalized debt service levy and the second tier  
 62.12 equalized debt service levy.

62.13 (b) A district's first tier equalized debt service levy equals the district's first tier debt  
 62.14 service equalization revenue times the lesser of one or the ratio of:

62.15 (1) the quotient derived by dividing the adjusted net tax capacity of the district for  
 62.16 the year before the year the levy is certified by the adjusted pupil units in the district for  
 62.17 the school year ending in the year prior to the year the levy is certified; to

62.18 (2) ~~\$3,200~~ \$5,000.

62.19 (c) A district's second tier equalized debt service levy equals the district's second  
 62.20 tier debt service equalization revenue times the lesser of one or the ratio of:

62.21 (1) the quotient derived by dividing the adjusted net tax capacity of the district for  
 62.22 the year before the year the levy is certified by the adjusted pupil units in the district for  
 62.23 the school year ending in the year prior to the year the levy is certified; to

62.24 (2) \$8,000.

62.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008  
 62.26 and later.

62.27 Sec. 3. Minnesota Statutes 2005 Supplement, section 123B.54, is amended to read:

62.28 **123B.54 DEBT SERVICE APPROPRIATION.**

62.29 (a) ~~\$21,624,000~~ \$22,701,000 in fiscal year 2008 and ~~\$20,403,000~~ \$22,269,000 in  
 62.30 fiscal year 2009 and later are appropriated from the general fund to the commissioner of  
 62.31 education for payment of debt service equalization aid under section 123B.53.

62.32 (b) The appropriations in paragraph (a) must be reduced by the amount of any  
 62.33 money specifically appropriated for the same purpose in any year from any state fund.



63.1 Sec. 4. Minnesota Statutes 2005 Supplement, section 126C.10, subdivision 13a,  
63.2 is amended to read:

3 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal  
63.4 year 2007 and later, a district may levy an amount not more than the product of its  
63.5 operating capital revenue for the fiscal year times the lesser of one or the ratio of its  
63.6 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital  
63.7 equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year  
63.8 2006, ~~and \$10,700 for fiscal year 2007,~~ and \$22,222 for fiscal year 2008 and later.

63.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008  
63.10 and later.

63.11 Sec. 5. Minnesota Statutes 2004, section 144F.01, subdivision 4, is amended to read:

2 Subd. 4. **Property tax levy authority.** The district's board may levy a tax on  
63.13 the taxable real and personal property in the district. The ad valorem tax levy may not  
63.14 exceed 0.048 percent of the taxable market value of the district or ~~\$250,000~~ \$400,000,  
63.15 whichever is less. The proceeds of the levy must be used as provided in subdivision 5.  
63.16 The board shall certify the levy at the times as provided under section 275.07. The board  
63.17 shall provide the county with whatever information is necessary to identify the property  
63.18 that is located within the district. If the boundaries include a part of a parcel, the entire  
63.19 parcel shall be included in the district. The county auditors must spread, collect, and  
63.20 distribute the proceeds of the tax at the same time and in the same manner as provided by  
63.21 law for all other property taxes.

63.22 Sec. 6. Minnesota Statutes 2004, section 216B.2424, subdivision 5, is amended to read:

63.23 Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4,  
63.24 that operates a nuclear-powered electric generating plant within this state must construct  
63.25 and operate, purchase, or contract to construct and operate (1) by December 31, 1998,  
63.26 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop  
63.27 biomass scheduled to be operational by December 31, 2001; and (2) by December 31,  
63.28 1998, an additional 75 megawatts of installed capacity so generated scheduled to be  
63.29 operational by December 31, 2002.

63.30 (b) Of the 125 megawatts of biomass electricity installed capacity required under  
63.31 this subdivision, no more than 55 megawatts of this capacity may be provided by a facility  
63.32 that uses poultry litter as its primary fuel source and any such facility:

63.33 (1) need not use biomass that complies with the definition in subdivision 1;

64.1 (2) must enter into a contract with the public utility for such capacity, that has an  
64.2 average purchase price per megawatt hour over the life of the contract that is equal to or  
64.3 less than the average purchase price per megawatt hour over the life of the contract in  
64.4 contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy  
64.5 the mandate of this section, and file that contract with the Public Utilities Commission  
64.6 prior to September 1, 2000; and

64.7 (3) must schedule such capacity to be operational by December 31, 2002.

64.8 (c) Of the total 125 megawatts of biomass electric energy installed capacity required  
64.9 under this section, no more than 75 megawatts may be provided by a single project.

64.10 (d) Of the 75 megawatts of biomass electric energy installed capacity required under  
64.11 paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by  
64.12 a St. Paul district heating and cooling system cogeneration facility utilizing waste wood  
64.13 as a primary fuel source. The St. Paul district heating and cooling system cogeneration  
64.14 facility need not use biomass that complies with the definition in subdivision 1.

64.15 (e) The public utility must accept and consider on an equal basis with other biomass  
64.16 proposals:

64.17 (1) a proposal to satisfy the requirements of this section that includes a project that  
64.18 exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and  
64.19 that proposes to sell the excess capacity to the public utility or to other purchasers; and

64.20 (2) a proposal for a new facility to satisfy more than ten but not more than 20  
64.21 megawatts of the electrical generation requirements by a small business-sponsored  
64.22 independent power producer facility to be located within the northern quarter of the state,  
64.23 which means the area located north of Constitutional Route No. 8 as described in section  
64.24 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped  
64.25 wood, or brush to generate electricity. A facility described in this clause is not required  
64.26 to utilize biomass complying with the definition in subdivision 1, but must be under  
64.27 construction by December 31, 2005.

64.28 (f) If a public utility files a contract with the commission for electric energy installed  
64.29 capacity that uses poultry litter as its primary fuel source, the commission must do a  
64.30 preliminary review of the contract to determine if it meets the purchase price criteria  
64.31 provided in paragraph (b), clause (2), of this subdivision. The commission shall perform  
64.32 its review and advise the parties of its determination within 30 days of filing of such a  
64.33 contract by a public utility. A public utility may submit by September 1, 2000, a revised  
64.34 contract to address the commission's preliminary determination.

65.1 (g) The commission shall finally approve, modify, or disapprove no later than July  
65.2 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the  
3 mandate set forth in this subdivision.

65.4 (h) If a public utility subject to this section exercises an option to increase the  
65.5 generating capacity of a project in a contract approved by the commission prior to April  
65.6 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the  
65.7 commission by September 1, 2000, that it has exercised the option and include in the  
65.8 notice the amount of additional megawatts to be generated under the option exercised.  
65.9 Any review by the commission of the project after exercise of such an option shall be  
65.10 based on the same criteria used to review the existing contract.

65.11 (i) A facility specified in this subdivision qualifies for exemption from property  
65.12 taxation under section 272.02, subdivision ~~43~~ 45.

3 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2006,  
65.14 payable in 2007, and thereafter.

65.15 Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

65.16 Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of the  
65.17 ~~Department of~~ natural resources shall determine lands in the state which are native prairie  
65.18 and shall notify the county assessor of each county in which the lands are located. Pasture  
65.19 land used for livestock grazing purposes shall not be considered native prairie for the  
65.20 purposes of this subdivision unless the pasture is covered by a grazing plan approved by  
65.21 the commissioner of natural resources. Upon receipt of an application for the exemption  
65.22 provided in this subdivision for lands for which the assessor has no determination from  
65.23 the commissioner of natural resources, the assessor shall refer the application to the  
65.24 commissioner of natural resources who shall determine within ~~30~~ 180 days whether the  
65.25 land is native prairie and notify the county assessor of the decision. Exemption of native  
65.26 prairie pursuant to this subdivision shall not grant the public any additional or greater right  
65.27 of access to the native prairie or diminish any right of ownership to it.

65.28 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
65.29 in 2007, and thereafter.

65.30 Sec. 8. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

65.31 Subd. 45. **Biomass electrical generation facility; personal property.**  
65.32 Notwithstanding subdivision 9, clause (a), attached machinery and other personal property

66.1 which is part of an electrical generating facility that meets the requirements of this  
 66.2 subdivision is exempt. At the time of construction, the facility must:

66.3 (1) be designed to utilize biomass as established in section 216B.2424 as a primary  
 66.4 fuel source; and

66.5 (2) be constructed for the purpose of generating power at the facility that will be sold  
 66.6 pursuant to a contract approved by the Public Utilities Commission in accordance with  
 66.7 the biomass mandate imposed under section 216B.2424.

66.8 Construction of the facility must be commenced after January 1, 2000, and before  
 66.9 December 31, ~~2002~~ 2005. Property eligible for this exemption does not include electric  
 66.10 transmission lines and interconnections or gas pipelines and interconnections appurtenant  
 66.11 to the property or facility.

66.12 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
 66.13 in 2007, and thereafter.

66.14 Sec. 9. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

66.15 Subd. 54. **Small biomass electric generation facility; personal property.** (a)  
 66.16 Subject to paragraph (b), notwithstanding subdivision 9, clause (a), attached machinery  
 66.17 and other personal property which is part of an electrical generating facility that meets the  
 66.18 requirements of this subdivision is exempt. At the time of construction the facility must:

66.19 (1) have a generation capacity of less than 25 megawatts;

66.20 (2) provide process heating needs in addition to electrical generation; and

66.21 (3) utilize agricultural by-products from the malting process and other biomass  
 66.22 fuels as its primary fuel source.

66.23 Construction of the facility must be commenced after January 1, 2002, and before  
 66.24 ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include  
 66.25 electric transmission lines and interconnections or gas pipelines and interconnections  
 66.26 appurtenant to the property or facility.

66.27 (b) The exemption under this subdivision is contingent on approval by the governing  
 66.28 bodies of the municipality and county in which the electric generation facility is located.

66.29 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable  
 66.30 in 2009, and thereafter.

66.31 Sec. 10. Minnesota Statutes 2004, section 272.02, subdivision 55, is amended to read:

66.32 Subd. 55. **Electric generation facility; personal property.** Notwithstanding  
 66.33 subdivision 9, clause (a), attached machinery and other personal property which is part of

an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must ~~be sited on an energy park that (i) is located on an active mining site, or on a former mining or industrial site where mining or industrial operations have terminated~~ be designated as an innovative energy project as defined in section 216B.1694, (ii) is be within a tax relief area as defined in section 273.134, (iii) has on-site have access to existing railroad infrastructure within less than three miles, (iv) has direct rail access to a Great Lakes port, (v) has sufficient private water resources on site, and (vi) is have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.

Construction of the first ~~250~~ 500 megawatts of the facility must be commenced after January 1, ~~2002~~ 2006, and before January 1, ~~2005~~ 2010. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, ~~2010~~ 2015. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

**Subd. 84. Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;

(2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and

(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after April 30, 2006, and before January 1, 2009. Property eligible for this exemption does not include electric

68.1 transmission lines and interconnections or gas pipelines and interconnections appurtenant  
68.2 to the property or the facility.

68.3 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2006,  
68.4 payable in 2007, and thereafter.

68.5 Sec. 12. Minnesota Statutes 2004, section 272.029, subdivision 2, is amended to read:

68.6 Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

68.7 (1) "wind energy conversion system" has the meaning given it in section 216C.06,  
68.8 subdivision 19, and also includes a substation that is used and owned by one or more  
68.9 wind energy conversion facilities;

68.10 (2) "large scale wind energy conversion system" means a wind energy conversion  
68.11 system of more than 12 megawatts, as measured by the nameplate capacity of the system  
68.12 or as combined with other systems as provided in paragraph (b);

68.13 (3) "medium scale wind energy conversion system" means a wind energy conversion  
68.14 system of over two and not more than 12 megawatts, as measured by the nameplate  
68.15 capacity of the system or as combined with other systems as provided in paragraph (b); and

68.16 (4) "small scale wind energy conversion system" means a wind energy conversion  
68.17 system of two megawatts and under, as measured by the nameplate capacity of the system  
68.18 or as combined with other systems as provided in paragraph (b).

68.19 (b) For systems installed and contracted for after January 1, 2002, the total size of a  
68.20 wind energy conversion system under this subdivision shall be determined according to  
68.21 this paragraph. Unless the systems are interconnected with different distribution systems,  
68.22 the nameplate capacity of one wind energy conversion system shall be combined with the  
68.23 nameplate capacity of any other wind energy conversion system that is:

68.24 (1) located within five miles of the wind energy conversion system;

68.25 (2) constructed within the same calendar year as the wind energy conversion system;

68.26 and

68.27 (3) under common ownership.

68.28 In the case of a dispute, the commissioner of commerce shall determine the total size  
68.29 of the system, and shall draw all reasonable inferences in favor of combining the systems.

68.30 (c) In making a determination under paragraph (b), the commissioner of commerce  
68.31 may determine that two wind energy conversion systems are under common ownership  
68.32 when the underlying ownership structure contains similar persons or entities, even if the  
68.33 ownership shares differ between the two systems. Wind energy conversion systems are  
68.34 not under common ownership solely because the same person or entity provided equity  
68.35 financing for the systems.

69.1 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
 69.2 in 2007, and thereafter.

69.3 Sec. 13. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision  
 69.4 to read:

69.5 Subd. 23. **First tier valuation limit; agricultural homestead property.** (a)  
 69.6 Beginning with assessment year 2006, the commissioner of revenue shall annually certify  
 69.7 the first tier limit for agricultural homestead property as the product of (i) \$600,000, and  
 69.8 (ii) the ratio of the statewide average taxable market value of agricultural property per acre  
 69.9 of deeded farm land in the preceding assessment year to the statewide average taxable  
 69.10 market value of agricultural property per acre of deeded farm land for assessment year  
 69.11 1999. The limit shall be rounded to the nearest \$10,000.

69.12 (b) For the purposes of this subdivision, "agricultural property" means all class 2  
 69.13 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing  
 69.14 area or public access area of a privately owned public use airport, and (3) property  
 69.15 consisting of the house, garage and immediately surrounding one acre of land of an  
 69.16 agricultural homestead.

69.17 (c) The commissioner shall certify the limit by January 2 of each assessment year,  
 69.18 except that for assessment year 2006 the commissioner shall certify the limit by June  
 69.19 1, 2006.

69.20 **EFFECTIVE DATE.** This section is effective for assessment year 2006 and  
 69.21 thereafter.

69.22 Sec. 14. **[273.1115] AGGREGATE RESOURCE PRESERVATION PROPERTY**  
 69.23 **TAX LAW.**

69.24 Subdivision 1. **Requirements.** Real estate is entitled to valuation under this section  
 69.25 only if all of the following requirements are met:

69.26 (1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13,  
 69.27 subdivisions 22 and 23;

69.28 (2) the property is at least ten contiguous acres, when the application is filed under  
 69.29 subdivision 2;

69.30 (3) the owner has filed a completed application for deferment as specified in  
 69.31 subdivision 2 with the county assessor in the county in which the property is located;

69.32 (4) there are no delinquent taxes on the property; and

69.33 (5) a covenant on the land restricts its use as provided in subdivision 2, clause (4).

70.1        **Subd. 2. Application.** Application for valuation deferment under this section  
70.2 must be filed by May 1 of the assessment year. Any application filed and granted  
70.3 continues in effect for subsequent years until the property no longer qualifies, provided  
70.4 that supplemental affidavits under subdivision 6 are timely filed. The application must  
70.5 be filed with the assessor of the county in which the real property is located on such  
70.6 form as may be prescribed by the commissioner of revenue. The application must be  
70.7 executed and acknowledged in the manner required by law to execute and acknowledge a  
70.8 deed and must contain at least the following information and any other information the  
70.9 commissioner deems necessary:

70.10        (1) the legal description of the area;

70.11        (2) the name and address of owner;

70.12        (3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h),  
70.13 in the case of property classified class 2b, clause (5); or in the case of property classified  
70.14 1a, 1b, 2a, and 2b, clauses (1) to (3), the application must include a similar document with  
70.15 the same information as contained in the affidavit under section 273.13, subdivision 23,  
70.16 paragraph (h); and

70.17        (4) a statement of proof from the owner that the land contains a restrictive covenant  
70.18 limiting its use for the property's surface to that which exists on the date of the application  
70.19 and limiting its future use to the preparation and removal of the aggregate commercial  
70.20 deposit under its surface.

70.21        To qualify under this clause, the covenant must be binding on the owner or the  
70.22 owner's successor or assignee, and run with the land, except as provided in subdivision 4  
70.23 allowing for the cancellation of the covenant under certain conditions.

70.24        **Subd. 3. Determination of value.** Upon timely application by the owner as  
70.25 provided in subdivision 2, notwithstanding sections 272.03, subdivision 8, and 273.11,  
70.26 the value of any qualifying land described in subdivision 2 must be valued as if it were  
70.27 agricultural property, using a per acre valuation equal to the current year's per acre  
70.28 valuation of agricultural land in the county. The assessor shall not consider any additional  
70.29 value resulting from potential alternative and future uses of the property. The buildings  
70.30 located on the land shall be valued by the assessor in the normal manner.

70.31        **Subd. 4. Cancellation of covenant.** The covenant required under subdivision  
70.32 2 may be canceled in two ways:

70.33        (1) by the owner beginning with the next subsequent assessment year provided  
70.34 that the additional taxes as determined under subdivision 5 are paid by the owner at the  
70.35 time of cancellation; and



(2) by the city or town in which the property is located beginning with the next subsequent assessment year, if the city council or town board:

(i) changes the conditional use of the property;

(ii) revokes the mining permit; or

(iii) changes the zoning to disallow mining.

No additional taxes are imposed on the property under this clause.

Subd. 4a. **County termination.** Within two years of the effective date of this section, a county may, following notice and public hearing, terminate application of this section in the county. The termination is effective upon adoption of a resolution of the county board. A county has 60 days from receipt of the first application for enrollment under this section to notify the applicant and any subsequent applicants of the county's intent to begin the process of terminating application of this section in the county. The county must act on the termination within six months. Upon termination by a vote of the county board, all applications received during notification of intent to terminate shall be deemed void. If the county board does not act on the termination within six months of notification, all applications for valuation for deferment received shall be deemed eligible to be enrolled under this section. Following this initial 60-day grace period, a termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may reauthorize application of this section by a resolution of the county board revoking the termination.

Subd. 5. **Additional taxes.** When real property which has been valued and assessed under this section no longer qualifies, the portion of the land classified under subdivision 1, clause (1), is subject to additional taxes. The additional tax amount is determined by:

(1) computing the difference between (i) the current year's taxes determined in accordance with subdivision 3, and (ii) an amount as determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and

(2) multiplying the amount determined in clause (1) by the number of years the land was in the program under this section.

The current year's estimated market value as determined by the assessor must not exceed the market value that would result if the property was sold in an arms-length transaction and must not be greater than it would have been had the actual bona fide sale price of the property been used in lieu of that market value. The additional taxes must be extended against the property on the tax list for the current year, except that interest or penalties must not be levied on such additional taxes if timely paid.

72.1       The additional tax under this subdivision must not be imposed on that portion of the  
72.2 property which has actively been mined and has been removed from the program based  
72.3 upon the supplemental affidavits filed under subdivision 6.

72.4       Subd. 6. **Supplemental affidavits; mining activity on land.** When any portion  
72.5 of the property begins to be actively mined, the owner must file a supplemental affidavit  
72.6 within 60 days from the day any aggregate is removed stating the number of acres of the  
72.7 property that is actively being mined. The acres actively being mined shall be (1) valued  
72.8 and classified under section 273.13, subdivision 24, in the next subsequent assessment  
72.9 year, and (2) removed from the aggregate resource preservation property tax program  
72.10 under this section. The additional taxes under subdivision 5 must not be imposed on  
72.11 the acres that are actively being mined and have been removed from the program under  
72.12 this section.

72.13       Copies of the original affidavit and all supplemental affidavits must be filed with the  
72.14 county assessor, the local zoning administrator, and the Department of Natural Resources,  
72.15 Division of Land and Minerals. A supplemental affidavit must be filed each time a  
72.16 subsequent portion of the property is actively mined, provided that the minimum acreage  
72.17 change is five acres, even if the actual mining activity constitutes less than five acres.  
72.18 Failure to file the affidavits timely shall result in the property losing its valuation deferment  
72.19 under this section, and additional taxes must be imposed as calculated under subdivision 5.

72.20       Subd. 7. **Lien.** The additional tax imposed by this section is a lien upon the property  
72.21 assessed to the same extent and for the same duration as other taxes imposed upon  
72.22 property within this state and, when collected, must be distributed in the manner provided  
72.23 by law for the collection and distribution of other property taxes.

72.24       Subd. 8. **Continuation of tax treatment upon sale.** When real property qualifying  
72.25 under subdivision 1 is sold, additional taxes must not be extended against the property  
72.26 if the property continues to qualify under subdivision 1, and the new owner files an  
72.27 application with the assessor for continued deferment within 30 days after the sale.

72.28       Subd. 9. **Definitions.** For purposes of this section, "commercial aggregate deposit"  
72.29 and "actively mined" have the meanings given them in section 273.13, subdivision 23,  
72.30 paragraph (h).

72.31       Subd. 10. **County administrative fee.** A county may charge the owner of property  
72.32 that is valued under this section a fee to compensate for its costs of administering this  
72.33 program.

72.34       **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable  
72.35 in 2008, and thereafter, except that for the 2007 assessment year, the application date

73.1 under subdivision 4 shall be September 1, 2007, and subdivision 4a is effective the day  
73.2 following final enactment.

73.3 Sec. 15. Minnesota Statutes 2004, section 273.124, subdivision 12, is amended to read:

73.4 Subd. 12. **Homestead of member of United States armed forces; Peace Corps;**  
73.5 **VISTA.** (a) Real estate actually occupied and used for the purpose of a homestead by  
73.6 a person, or by a member of that person's immediate family shall be classified as a  
73.7 homestead even though the person or family is absent if (1) the person or the person's  
73.8 family is absent solely because the person is on active duty with the armed forces of the  
73.9 United States, or is serving as a volunteer under the VISTA or Peace Corps program; (2)  
73.10 the owner intends to return as soon as discharged or relieved from service; and (3) the  
73.11 owner claims it as a homestead. A person who knowingly makes or submits to an assessor  
73.12 an affidavit or other statement that is false in any material matter to obtain or aid another  
73.13 in obtaining a benefit under this subdivision is guilty of a felony.

73.14 (b) In the case of a person who is absent solely because the person is on active duty  
73.15 with the United States armed forces, homestead classification must be granted as provided  
73.16 in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even  
73.17 if the property has not been occupied as a homestead by the person or a member of the  
73.18 person's family. To qualify for this classification, the person who acquires the property  
73.19 must notify the assessor of the acquisition and of the person's absence due to military  
73.20 service. When the person returns from military service and occupies the property as  
73.21 a homestead, the person shall notify the assessor, who will provide for abatement of  
73.22 the difference between the nonhomestead and homestead taxes for the current and two  
73.23 preceding years, not to exceed the time during which the person owned the property.

73.24 **EFFECTIVE DATE.** This section is effective for assessments in 2006, taxes  
73.25 payable in 2007, and thereafter.

73.26 Sec. 16. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision  
73.27 to read:

73.28 Subd. 22. **Annual registration of certain relative homesteads.** If the owner of  
73.29 property or the owner's relative who occupies property that is classified as a homestead  
73.30 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any  
73.31 part of that property for a period that exceeds 31 consecutive days during the calendar  
73.32 year, the recipient of the compensation must register the property with the city in which  
73.33 it is located no later than 60 days after the initial rental period began. This requirement  
73.34 applies to property located in a city that has a population over 25,000. Each such city must

74.1 maintain a file of these property registrations that is open to the public, and retain the  
74.2 registrations for one year after the date of filing.

74.3 **EFFECTIVE DATE.** This section is effective July 1, 2006.

74.4 Sec. 17. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is  
74.5 amended to read:

74.6 Subdivision 1. **Requirement.** Low-income rental property classified as class 4d  
74.7 under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~  
74.8 ~~75 percent of~~ for the units in the rental housing property that meet any of the following  
74.9 qualifications:

74.10 (1) the units are subject to a housing assistance payments contract under section 8  
74.11 of the United States Housing Act of 1937, as amended;

74.12 (2) the units are rent-restricted and income-restricted units of a qualified low-income  
74.13 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of  
74.14 1986, as amended;

74.15 (3) the units are financed by the Rural Housing Service of the United States  
74.16 Department of Agriculture and receive payments under the rental assistance program  
74.17 pursuant to section 521(a) of the Housing Act of 1949, as amended; or

74.18 (4) the units are subject to rent and income restrictions under the terms of financial  
74.19 assistance provided to the rental housing property by the federal government ~~or~~ the  
74.20 state of Minnesota, or a local unit of government as evidenced by a document recorded  
74.21 against the property.

74.22 The restrictions must require assisted units to be occupied by residents whose  
74.23 household income at the time of initial occupancy does not exceed 60 percent of the  
74.24 greater of area or state median income, adjusted for family size, as determined by the  
74.25 United States Department of Housing and Urban Development. The restriction must also  
74.26 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of  
74.27 area or state median income, adjusted for family size, as determined by the United States  
74.28 Department of Housing and Urban Development.

74.29 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
74.30 in 2007, and thereafter.

74.31 Sec. 18. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

74.32 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any  
74.33 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. The value of the remaining land including improvements up to ~~and including \$600,000 market value~~ the first tier valuation limit of agricultural homestead property has a net class rate of 0.55 percent of market value. The remaining property over ~~\$600,000 market value~~ the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(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; (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; (3) real estate that is nonhomestead agricultural land; ~~or~~ (4) a landing area or public access area of a privately owned public use airport; or (5) land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to (3). Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535, the native prairie bank under section 84.96, or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

76.1 Classification under this subdivision is not determinative for qualifying under  
76.2 section 273.111.

76.3 The property classification under this section supersedes, for property tax purposes  
76.4 only, any locally administered agricultural policies or land use restrictions that define  
76.5 minimum or maximum farm acreage.

76.6 (e) The term "agricultural products" as used in this subdivision includes production  
76.7 for sale of:

76.8 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
76.9 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
76.10 bees, and apiary products by the owner;

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

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

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

76.17 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed  
76.18 under section 97A.115;

76.19 (6) insects primarily bred to be used as food for animals;

76.20 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood  
76.21 products, except that short rotation woody crops that are cultivated using agricultural  
76.22 practices to produce timber or forest products are agricultural products; and

76.23 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
76.24 Department of Agriculture under chapter 28A as a food processor.

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

76.27 (1) wholesale and retail sales;

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

76.29 (3) warehousing or storage of processed goods; and

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

76.32 the assessor shall classify the part of the parcel used for agricultural purposes as class  
76.33 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
76.34 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
76.35 considered an agricultural purpose. A greenhouse or other building where horticultural  
76.36 or nursery products are grown that is also used for the conduct of retail sales must be

77.1 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
 77.2 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
 77.3 those products. Use of a greenhouse or building only for the display of already grown  
 77.4 horticultural or nursery products does not qualify as an agricultural purpose.

77.5 The assessor shall determine and list separately on the records the market value of  
 77.6 the homestead dwelling and the one acre of land on which that dwelling is located. If any  
 77.7 farm buildings or structures are located on this homesteaded acre of land, their market  
 77.8 value shall not be included in this separate determination.

77.9 (g) To qualify for classification under paragraph (b), clause (4), a privately owned  
 77.10 public use airport must be licensed as a public airport under section 360.018. For purposes  
 77.11 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use  
 77.12 airport properly cleared, regularly maintained, and made available to the public for use by  
 77.13 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing  
 77.14 or navigational aids. A landing area also includes land underlying both the primary surface  
 77.15 and the approach surfaces that comply with all of the following:

- 77.16 (i) the land is properly cleared and regularly maintained for the primary purposes of
- 77.17 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains
- 77.18 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;
- 77.19 (ii) the land is part of the airport property; and
- 77.20 (iii) the land is not used for commercial or residential purposes.

77.21 The land contained in a landing area under paragraph (b), clause (4), must be described  
 77.22 and certified by the commissioner of transportation. The certification is effective until  
 77.23 it is modified, or until the airport or landing area no longer meets the requirements of  
 77.24 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"  
 77.25 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival  
 77.26 and departure building in connection with the airport.

77.27 (h) To qualify for classification under paragraph (b), clause (5), the property must be  
 77.28 at least ten contiguous acres in size and the owner of the property must record with the  
 77.29 county recorder of the county in which the property is located an affidavit containing:

- 77.30 (1) a legal description of the property;
- 77.31 (2) a disclosure that the property contains a commercial aggregate deposit that is not
- 77.32 actively being mined but is present on the entire parcel enrolled;
- 77.33 (3) documentation that the conditional use under the county or local zoning  
ordinance of this property is for mining; and

77.35 (4) documentation that a permit has been issued by the local unit of government  
 77.36 or the mining activity is allowed under local ordinance. The disclosure must include a

78.1 statement from a registered professional geologist, engineer, or soil scientist delineating  
 78.2 the deposit and certifying that it is a commercial aggregate deposit.

78.3 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
 78.4 means a deposit that will yield crushed stone or sand and gravel that is suitable for use  
 78.5 as a construction aggregate; and "actively mined" means the removal of top soil and  
 78.6 overburden in preparation for excavation or excavation of a commercial deposit.

78.7 (i) When any portion of the property under this subdivision or section 273.13,  
 78.8 subdivision 22, begins to be actively mined, the owner must file a supplemental affidavit  
 78.9 within 60 days from the day any aggregate is removed stating the number of acres of the  
 78.10 property that is actively being mined. The acres actively being mined must be (1) valued  
 78.11 and classified under section 273.13, subdivision 24, in the next subsequent assessment  
 78.12 year, and (2) removed from the aggregate resource preservation property tax program  
 78.13 under section 273.1115, if the land was enrolled in that program. Copies of the original  
 78.14 affidavit and all supplemental affidavits must be filed with the county assessor, the local  
 78.15 zoning administrator, and the Department of Natural Resources, Division of Land and  
 78.16 Minerals. A supplemental affidavit must be filed each time a subsequent portion of the  
 78.17 property is actively mined, provided that the minimum acreage change is five acres, even  
 78.18 if the actual mining activity constitutes less than five acres.

78.19 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in  
 78.20 2007, and thereafter, except that the provisions relating to land with aggregate deposits is  
 78.21 effective for taxes levied in 2007, payable in 2008, and thereafter.

78.22 Sec. 19. **[273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF**  
 78.23 **ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.**

78.24 Rules adopted by the commissioner of revenue that prescribe the method of valuing  
 78.25 property of electric and transmission pipeline utilities may not take effect before the end  
 78.26 of the regular legislative session in the calendar year following adoption of the rules.

78.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

78.28 Sec. 20. Minnesota Statutes 2005 Supplement, section 276.04, subdivision 2, is  
 78.29 amended to read:

78.30 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the  
 78.31 printing of the tax statements. The commissioner of revenue shall prescribe the form  
 78.32 of the property tax statement and its contents. The statement must contain a tabulated  
 78.33 statement of the dollar amount due to each taxing authority and the amount of the state



79.1 tax from the parcel of real property for which a particular tax statement is prepared. The  
79.2 dollar amounts attributable to the county, the state tax, the voter approved school tax, the  
3 other local school tax, the township or municipality, and the total of the metropolitan  
79.4 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must  
79.5 be separately stated. The amounts due all other special taxing districts, if any, may be  
79.6 aggregated except that any levies made by the regional rail authorities in the county of  
79.7 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A  
79.8 shall be listed on a separate line directly under the appropriate county's levy. If the county  
79.9 levy under this paragraph includes an amount for a lake improvement district as defined  
79.10 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be  
79.11 separately stated from the remaining county levy amount. In the case of Ramsey County,  
79.12 if the county levy under this paragraph includes an amount for public library service  
79.13 under section 134.07, the amount attributable for that purpose may be separated from the  
79.14 remaining county levy amount. The amount of the tax on homesteads qualifying under the  
79.15 senior citizens' property tax deferral program under chapter 290B is the total amount of  
79.16 property tax before subtraction of the deferred property tax amount. The amount of the  
79.17 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also  
79.18 be separately stated. The dollar amounts, including the dollar amount of any special  
79.19 assessments, may be rounded to the nearest even whole dollar. For purposes of this section  
79.20 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.  
79.21 The amount of market value excluded under section 273.11, subdivision 16, if any, must  
79.22 also be listed on the tax statement.

79.23 (b) The property tax statements for manufactured homes and sectional structures  
4 taxed as personal property shall contain the same information that is required on the  
79.25 tax statements for real property.

79.26 (c) Real and personal property tax statements must contain the following information  
79.27 in the order given in this paragraph. The information must contain the current year tax  
79.28 information in the right column with the corresponding information for the previous year  
79.29 in a column on the left:

79.30 (1) the property's estimated market value under section 273.11, subdivision 1;

79.31 (2) the property's taxable market value after reductions under section 273.11,  
79.32 subdivisions 1a and 16;

79.33 (3) the property's gross tax, calculated by adding the property's total property tax to  
79.34 the sum of the aids enumerated in clause (4);

79.35 (4) a total of the following aids:

80.1 (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,  
80.2 and 127A;

80.3 (ii) local government aids for cities, towns, and counties under sections 477A.011 to  
80.4 477A.04; and

80.5 (iii) disparity reduction aid under section 273.1398;

80.6 (5) for homestead residential and agricultural properties, the credits under section  
80.7 273.1384;

80.8 (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391;  
80.9 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received  
80.10 under section 273.135 must be separately stated and identified as "taconite tax relief"; and

80.11 (7) the net tax payable in the manner required in paragraph (a).

80.12 (d) If the county uses envelopes for mailing property tax statements and if the county  
80.13 agrees, a taxing district may include a notice with the property tax statement notifying  
80.14 taxpayers when the taxing district will begin its budget deliberations for the current  
80.15 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
80.16 be included in the envelope containing the property tax statement, and if more than  
80.17 one taxing district relative to a given property decides to include a notice with the tax  
80.18 statement, the county treasurer or auditor must coordinate the process and may combine  
80.19 the information on a single announcement.

80.20 The commissioner of revenue shall certify to the county auditor the actual or  
80.21 estimated aids enumerated in paragraph (c), clause (4), that local governments will receive  
80.22 in the following year. The commissioner must certify this amount by January 1 of each  
80.23 year.

80.24 (e) A notice must be printed on the front side of the property tax statement for  
80.25 homestead property stating that if the total property tax has increased over the previous  
80.26 year's tax by more than the threshold percentage in section 290A.04, subdivision 2h,  
80.27 the taxpayer may be eligible, regardless of income, for a special property tax refund  
80.28 from the state.

80.29 **EFFECTIVE DATE.** This section is effective for property tax statements prepared  
80.30 in 2006, for property taxes payable in 2007 and thereafter.

80.31 Sec. 21. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

80.32 Subdivision 1. **Authority.** The governing body of a political subdivision may grant  
80.33 an a current or prospective abatement, by contract or otherwise, of the taxes imposed by  
80.34 the political subdivision on a parcel of property, which may include personal property

81.1 and machinery, or defer the payments of the taxes and abate the interest and penalty  
 81.2 that otherwise would apply, if:

3        ~~(a)~~ (1) it expects the benefits to the political subdivision of the proposed abatement  
 81.4 agreement to at least equal the costs to the political subdivision of the proposed agreement  
 81.5 or intends the abatement to phase in a property tax increase, as provided in clause (b)(7);  
 81.6 and

81.7        ~~(b)~~ (2) it finds that doing so is in the public interest because it will:

81.8        ~~(1)~~ (i) increase or preserve tax base;

81.9        ~~(2)~~ (ii) provide employment opportunities in the political subdivision;

81.10       ~~(3)~~ (iii) provide or help acquire or construct public facilities;

81.11       ~~(4)~~ (iv) help redevelop or renew blighted areas;

81.12       ~~(5)~~ (v) help provide access to services for residents of the political subdivision;

81.13       ~~(6)~~ (vi) finance or provide public infrastructure; ~~or~~

81.14       ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of  
 81.15 50 percent or more in one year on the estimated market value of the parcel, other than  
 81.16 increase attributable to improvement of the parcel; or

81.17        (viii) stabilize the tax base through equalization of property tax revenues for a  
 81.18 specified period of time with respect to a taxpayer whose real and personal property is  
 81.19 subject to valuation under Minnesota Rules, chapter 8100.

81.20       Sec. 22. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6,  
 81.21 is amended to read:

81.22        Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a  
 81.23 period no longer than 15 years, except as provided under paragraph (b). The abatement  
 81.24 period will commence in the first year in which the abatement granted is either paid or  
 81.25 retained in accordance with section 469.1815, subdivision 2. The subdivision may specify  
 81.26 in the abatement resolution a shorter duration. If the resolution does not specify a period  
 81.27 of time, the abatement is for eight years. If an abatement has been granted to a parcel of  
 81.28 property and the period of the abatement has expired, the political subdivision that granted  
 81.29 the abatement may not grant another abatement for eight years after the expiration of the  
 81.30 first abatement. This prohibition does not apply to improvements added after and not  
 81.31 subject to the first abatement. Economic abatement agreements for real and personal  
 81.32 property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this  
 81.33 prohibition and may be granted successively.

81.34        (b) A political subdivision proposing to abate taxes for a parcel may request, in  
 81.35 writing, that the other political subdivisions in which the parcel is located grant an

82.1 abatement for the property. If one of the other political subdivisions declines, in writing,  
82.2 to grant an abatement or if 90 days pass after receipt of the request to grant an abatement  
82.3 without a written response from one of the political subdivisions, the duration limit  
82.4 for an abatement for the parcel by the requesting political subdivision and any other  
82.5 participating political subdivision is increased to 20 years. If the political subdivision  
82.6 which declined to grant an abatement later grants an abatement for the parcel, the 20-year  
82.7 duration limit is reduced by one year for each year that the declining political subdivision  
82.8 grants an abatement for the parcel during the period of the abatement granted by the  
82.9 requesting political subdivision. The duration limit may not be reduced below the limit  
82.10 under paragraph (a).

82.11 Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to  
82.12 read:

82.13 Subd. 6b. **Extended duration limit.** (a) Notwithstanding the provisions of  
82.14 subdivision 6, a political subdivision may grant an abatement for a period of up to 20  
82.15 years, if the abatement is for a qualified business.

82.16 (b) To be a qualified business for purposes of this subdivision, at least 50 percent of  
82.17 the payroll of the operations of the business that qualify for the abatement must be for  
82.18 employees engaged in one of the following lines of business or any combination of them:

- 82.19 (1) manufacturing;
- 82.20 (2) agricultural processing;
- 82.21 (3) mining;
- 82.22 (4) research and development;
- 82.23 (5) warehousing; or
- 82.24 (6) qualified high technology.

82.25 Alternatively, a qualified business also includes a taxpayer whose real and personal  
82.26 property is subject to valuation under Minnesota Rules, chapter 8100.

82.27 (c)(1) "Manufacturing" means the material staging and production of tangible  
82.28 personal property by procedures commonly regarded as manufacturing, processing,  
82.29 fabrication, or assembling which changes some existing material into new shapes, new  
82.30 qualities, or new combinations.

82.31 (2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code  
82.32 of 1986.

82.33 (3) "Agricultural processing" means transforming, packaging, sorting, or grading  
82.34 livestock or livestock products, agricultural commodities, or plants or plant products into  
82.35 goods that are used for intermediate or final consumption including goods for nonfood use.

(4) "Research and development" means qualified research as defined in section 41(d) of the Internal Revenue Code of 1986.

(5) "Qualified high technology" means one or more of the following activities:

(i) advanced computing, which is any technology used in the design and development of any of the following:

(A) computer hardware and software;

(B) data communications; and

(C) information technologies;

(ii) advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology;

(iii) biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes;

(iv) electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices;

(v) engineering or laboratory testing related to the development of a product;

(vi) technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources;

(vii) medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated; or

(viii) advanced vehicles technology which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric vehicle is a road vehicle that draws propulsion energy only from an on-board source of electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

(d) The authority to grant new abatements under this subdivision expires on July 1, 2004, except that the authority to grant new abatements for real and personal property subject to valuation under Minnesota Rules, chapter 8100, does not expire.

Sec. 24. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

84.1 Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes  
84.2 abated by a political subdivision under this section may not exceed (1) ten percent of  
84.3 the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision  
84.4 does not apply to:

84.5 (1) an uncollected abatement from a prior year that is added to the abatement levy; or  
84.6 (2) a taxpayer whose real and personal property is subject to valuation under  
84.7 Minnesota Rules, chapter 8100.

84.8 Sec. 25. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

84.9 Subd. 9. **Consent of property owner not required.** A political subdivision may  
84.10 abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the  
84.11 consent of the property owner. This subdivision does not apply to abatements granted to a  
84.12 taxpayer whose real and personal property is valued under Minnesota Rules, chapter 8100.

84.13 Sec. 26. Minnesota Statutes 2004, section 469.1813, is amended by adding a  
84.14 subdivision to read:

84.15 Subd. 10. **Applicability to utility properties.** When this statute is applied or  
84.16 utilized with respect to a taxpayer whose real and personal property is subject to valuation  
84.17 under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814  
84.18 and 469.1815 shall apply only to property specified or described in the abatement contract  
84.19 or agreement.

84.20 Sec. 27. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision  
84.21 to read:

84.22 Subd. 3c. **Uncompensated care reimbursement.** (a) As used in this subdivision,  
84.23 the following terms have the meanings given in this paragraph.

84.24 (1) "Uncompensated care" means the sum of (i) the amount that would have been  
84.25 charged by a facility for rendering free or discounted care to persons who cannot afford to  
84.26 pay and for which the facility did not expect payment and (ii) the amount that had been  
84.27 charged by a facility for rendering care to persons and billed to that person or a third-party  
84.28 payer for which the facility expected but did not receive payment. Uncompensated care  
84.29 does not include contractual write-offs.

84.30 (2) A "qualifying hospital" means a hospital in the area that is:

84.31 (i) owned or operated by a local unit of government, or formerly owned by a  
84.32 university or is a private nonprofit hospital that leases its building from the county in  
84.33 which it is located; and

85.1 (ii) has a licensed bed capacity greater than 400.

85.2 (b) A county that contains a qualifying hospital is eligible for reimbursement of  
3 that portion of gross charges for uncompensated care determined by multiplying the  
85.4 hospital's gross charges during the base year by the percentage of uncompensated care  
85.5 provided by the hospital during the base year minus one-half of one percent of those gross  
85.6 charges, dividing the result by two, and adjusting the cost by multiplying that result by the  
85.7 hospital's cost-to-charge ratio during the base year. By July 15, 2007, and each subsequent  
85.8 year, the county shall notify its county auditor, as well as the administrative auditor, of the  
85.9 amount of qualifying uncompensated care provided, adjusted to cost using the hospital's  
85.10 cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

85.11 (c) The amount certified under paragraph (b) shall be certified annually by the  
85.12 county auditor to the administrative auditor as an addition to the county's areawide levy  
85.13 under subdivision 5.

85.14 (d) The administrative auditor shall pay one-half of the reimbursement to the county  
85.15 auditor of the county that contains the qualifying hospital on or before June 15 and the  
85.16 remaining one-half of the reimbursement on or before November 15. The county auditor  
85.17 receiving the payment shall disburse the reimbursement to the qualifying hospital within  
85.18 15 days of receipt of the reimbursement.

85.19 (e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals  
85.20 that participate in this program shall agree upon and implement a common standard for  
85.21 reporting uncompensated care, and a common standard for determining eligibility for  
85.22 uncompensated care for all participating hospitals.

85.23 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
85.24 distribution tax capacities for taxes payable in 2008 and 2009 only.

85.25 Sec. 28. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective  
85.26 date, as amended by Laws 2005, chapter 151, article 3, section 19, is amended to read:

85.27 [EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in  
85.28 2003, ~~through taxes levied in 2009, payable in 2010~~ and thereafter.

85.29 Sec. 29. **PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL**  
85.30 **DISTRICT.**

85.31 Notwithstanding Minnesota Statutes, sections 126C.48 and 275.065, with the  
85.32 agreement of the school district's home county, Independent School District No. 535,  
85.33 Rochester, on or before October 8, shall certify to the county auditor the district's proposed  
85.34 property tax levy for taxes payable in the following year.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 only.

Sec. 30. **LEASE LEVY; ADMINISTRATIVE SPACE, ROCORI AND FARIBAULT.**

Independent School Districts Nos. 656, Faribault, and 750, Rocori, may lease administrative space under Minnesota Statutes, section 126C.40, subdivision 1, if the district can demonstrate to the satisfaction of the commissioner of education that the administrative space is less expensive than instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under Minnesota Statutes, section 126C.40, subdivision 1, if the commissioner does not grant authority under this section. The resolution must also certify that a lease of administrative space under this section is less expensive than the district's proposed instructional lease. Levy authority under this section shall not exceed the total levy authority under Minnesota Statutes, section 126C.40, subdivision 1, paragraph (e).

**EFFECTIVE DATE.** This section is effective for revenue for taxes payable in 2007.

Sec. 31. **MISCELLANEOUS EDUCATION PROPERTY TAX REDUCTION.**

Notwithstanding Minnesota Statutes, section 126C.10, subdivision 13a, the commissioner of education shall increase the operating capital equalizing factor under Minnesota Statutes, section 126C.10, subdivision 13a, to reduce the operating capital levy by \$2,593,000 in fiscal year 2008 and \$2,259,000 in fiscal year 2009.

**ARTICLE 6**

**DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS**

Section 1. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class rate of 1.25 percent of its market value.



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

87.3 (1) any person who is blind as defined in section 256D.35, or the blind person and  
87.4 the blind person's spouse; or

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

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

87.7 (ii) is entitled to compensation under the laws and regulations of the United States  
87.8 for permanent and total service-connected disability due to the loss, or loss of use, by  
87.9 reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both  
87.10 lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or  
87.11 a wheelchair; and

87.12 (iii) has acquired a special housing unit with special fixtures or movable facilities  
87.13 made necessary by the nature of the veteran's disability, or the surviving spouse of the  
87.14 deceased veteran for as long as the surviving spouse retains the special housing unit  
87.15 as a homestead; or

87.16 (3) any person who is permanently and totally disabled.

87.17 Property is classified and assessed under clause (3) only if the government agency or  
87.18 income-providing source certifies, upon the request of the homestead occupant, that the  
87.19 homestead occupant satisfies the disability requirements of this paragraph.

87.20 Property is classified and assessed pursuant to clause (1) only if the commissioner of  
87.21 revenue certifies to the assessor that the homestead occupant satisfies the requirements of  
87.22 this paragraph.

87.23 Permanently and totally disabled for the purpose of this subdivision means a  
87.24 condition which is permanent in nature and totally incapacitates the person from working  
87.25 at an occupation which brings the person an income. The first \$32,000 market value of  
87.26 class 1b property has a net class rate of .45 percent of its market value. The remaining  
87.27 market value of class 1b property has a class rate using the rates for class 1a or class 2a  
87.28 property, whichever is appropriate, of similar market value.

87.29 (c) Class 1c property is commercial use real property that abuts a lakeshore line and  
87.30 is devoted to temporary and seasonal residential occupancy for recreational purposes but  
87.31 not devoted to commercial purposes for more than 250 days in the year preceding the  
87.32 year of assessment, and that includes a portion used as a homestead by the owner, which  
87.33 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns  
87.34 the resort, a partner in a partnership that owns the resort, or a member of a limited liability  
87.35 company that owns the resort even if the title to the homestead is held by the corporation,  
87.36 partnership, or limited liability company. For purposes of this clause, property is devoted

to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The portion of the property used as a homestead ~~by the owner has the same class rates as is~~ class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

**EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. 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. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

- 89.1 (1) residential real estate containing less than four units that does not qualify as class  
89.2 4bb, other than seasonal residential recreational property;  
89.3 (2) manufactured homes not classified under any other provision;  
89.4 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead  
89.5 farm classified under subdivision 23, paragraph (b) containing two or three units; and  
89.6 (4) unimproved property that is classified residential as determined under subdivision  
89.7 33.

89.8 The market value of class 4b property has a class rate of 1.25 percent.

89.9 (c) Class 4bb includes:

89.10 (1) nonhomestead residential real estate containing one unit, other than seasonal  
89.11 residential recreational property; and

89.12 (2) a single family dwelling, garage, and surrounding one acre of property on a  
89.13 nonhomestead farm classified under subdivision 23, paragraph (b).

89.14 Class 4bb property has the same class rates as class 1a property under subdivision 22.

89.15 Property that has been classified as seasonal residential recreational property at  
89.16 any time during which it has been owned by the current owner or spouse of the current  
89.17 owner does not qualify for class 4bb.

89.18 (d) Class 4c property includes:

89.19 (1) except as provided in subdivision 22, paragraph (c), real property devoted to  
89.20 temporary and seasonal residential occupancy for recreation purposes, including real  
89.21 property devoted to temporary and seasonal residential occupancy for recreation purposes  
89.22 and not devoted to commercial purposes for more than 250 days in the year preceding  
89.23 the year of assessment. For purposes of this clause, property is devoted to a commercial  
89.24 purpose on a specific day if any portion of the property is used for residential occupancy,  
89.25 and a fee is charged for residential occupancy. In order for a property to be classified as  
89.26 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of  
89.27 the annual gross lodging receipts related to the property must be from business conducted  
89.28 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging  
89.29 guests during the year must be for periods of at least two consecutive nights; or (ii) at least  
89.30 20 percent of the annual gross receipts must be from charges for rental of fish houses,  
89.31 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for  
89.32 marina services, launch services, and guide services, or the sale of bait and fishing tackle.  
89.33 For purposes of this determination, a paid booking of five or more nights shall be counted  
89.34 as two bookings. Class 4c also includes commercial use real property used exclusively  
89.35 for recreational purposes in conjunction with class 4c property devoted to temporary  
89.36 and seasonal residential occupancy for recreational purposes, up to a total of two acres,

90.1 provided the property is not devoted to commercial recreational use for more than 250  
90.2 days in the year preceding the year of assessment and is located within two miles of the  
90.3 class 4c property with which it is used. Owners of real property devoted to temporary and  
90.4 seasonal residential occupancy for recreation purposes and all or a portion of which was  
90.5 devoted to commercial purposes for not more than 250 days in the year preceding the year  
90.6 of assessment desiring classification as class 1c or 4c, must submit a declaration to the  
90.7 assessor designating the cabins or units occupied for 250 days or less in the year preceding  
90.8 the year of assessment by January 15 of the assessment year. Those cabins or units and a  
90.9 proportionate share of the land on which they are located will be designated class 1c or 4c  
90.10 as otherwise provided. The remainder of the cabins or units and a proportionate share of  
90.11 the land on which they are located will be designated as class 3a. The owner of property  
90.12 desiring designation as class 1c or 4c property must provide guest registers or other  
90.13 records demonstrating that the units for which class 1c or 4c designation is sought were  
90.14 not occupied for more than 250 days in the year preceding the assessment if so requested.  
90.15 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other  
90.16 nonresidential facility operated on a commercial basis not directly related to temporary and  
90.17 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;  
90.18 (2) qualified property used as a golf course if:  
90.19 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
90.20 dues, but a membership fee may not be required in order to use the property for golfing,  
90.21 and its green fees for golfing must be comparable to green fees typically charged by  
90.22 municipal courses; and  
90.23 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).  
90.24 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction  
90.25 with the golf course is classified as class 3a property;  
90.26 (3) real property up to a maximum of one acre of land owned by a nonprofit  
90.27 community service oriented organization; provided that the property is not used for a  
90.28 revenue-producing activity for more than six days in the calendar year preceding the year  
90.29 of assessment and the property is not used for residential purposes on either a temporary  
90.30 or permanent basis. For purposes of this clause, a "nonprofit community service oriented  
90.31 organization" means any corporation, society, association, foundation, or institution  
90.32 organized and operated exclusively for charitable, religious, fraternal, civic, or educational  
90.33 purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3),  
90.34 (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31,  
90.35 1990. For purposes of this clause, "revenue-producing activities" shall include but not be  
90.36 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;

(4) postsecondary 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;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

92.1 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated  
92.2 in the basic room rate;

92.3 (iii) meals are not provided to the general public except for special events on fewer  
92.4 than seven days in the calendar year preceding the year of the assessment; and

92.5 (iv) the owner is the operator of the property.

92.6 The market value subject to the 4c classification under this clause is limited to five rental  
92.7 units. Any rental units on the property in excess of five, must be valued and assessed as  
92.8 class 3a. The portion of the property used for purposes of a homestead by the owner must  
92.9 be classified as class 1a property under subdivision 22.

92.10 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
92.11 parcel of seasonal residential recreational property not used for commercial purposes has  
92.12 the same class rates as class 4bb property, (ii) manufactured home parks assessed under  
92.13 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal  
92.14 residential recreational property has a class rate of one percent for the first \$500,000  
92.15 of market value, ~~which includes any market value receiving the one percent rate under~~  
92.16 ~~subdivision 22~~, and 1.25 percent for the remaining market value, (iv) the market value  
92.17 of property described in clause (4) has a class rate of one percent, (v) the market value  
92.18 of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that  
92.19 portion of the market value of property in clause (9) qualifying for class 4c property  
92.20 has a class rate of 1.25 percent.

92.21 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
92.22 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion  
92.23 of the units in the building qualify as low-income rental housing units as certified under  
92.24 section 273.128, subdivision 3, only the proportion of qualifying units to the total number  
92.25 of units in the building qualify for class 4d. The remaining portion of the building shall be  
92.26 classified by the assessor based upon its use. Class 4d also includes the same proportion of  
92.27 land as the qualifying low-income rental housing units are to the total units in the building.  
92.28 For all properties qualifying as class 4d, the market value determined by the assessor must  
92.29 be based on the normal approach to value using normal unrestricted rents.

92.30 Class 4d property has a class rate of 0.75 percent.

92.31 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and  
92.32 subsequent years.

92.33 Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is  
92.34 amended to read:

Subdivision 1. **Residential homestead market value credit.** Each county auditor shall determine a homestead credit for each class 1a, 1b, ~~1c~~, and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property minus .09 percent of the market value in excess of \$76,000. The credit amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property ~~which~~ that is classified as part homestead and part nonhomestead, (i) the credit shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses do not of owners occupy the property, the credit amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and thereafter.

Sec. 4. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's class 2a market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value. ~~The credit under this subdivision is limited to \$345 for each homestead. The credit is reduced by~~ minus .05 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum reduction of \$115. In the case of property that is classified in part as class 2a agricultural homestead and in part as class 2b nonhomestead farm land solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit must be initially computed as if that nonhomestead agricultural land was also classified as class 2a agricultural homestead and then prorated to the owner-occupant's percentage of ownership.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and thereafter.

Sec. 5. Minnesota Statutes 2004, section 273.1398, subdivision 3, is amended to read:

**Subd. 3. Disparity reduction aid.** ~~For taxes payable in 2003 and subsequent years,~~  
The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. ~~For the purposes of this aid determination, disparity reduction aid certified for taxes payable in the prior year for a taxing entity other than a town or school district is deemed to be county government disparity reduction aid. The amount of disparity aid certified to each taxing jurisdiction shall be reduced by any reductions required in the current year or permanent reductions required in previous years under section 477A.0132. If the commissioner determines that~~  
insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on market values for taxes payable in the year prior to that for which aid is being computed.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and thereafter.

Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

**Subd. 9. Certificate.** After the time for redemption of any lands shall have expired after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall execute a certificate describing the lands, specifying the tax judgment sale at which the same were bid in for the state, and stating that the time for redemption thereof has expired after notice given as provided by law and that absolute title thereto has vested in the state of Minnesota. Such certificate shall be recorded in the office of the county recorder ~~and thereafter filed in the office of the county auditor~~, except that in case of registered land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a~~



95.1 ~~duplicate filed in the office of the county auditor.~~ Such certificate and the record thereof  
95.2 shall be prima facie evidence of the facts therein stated, but failure to execute or record or  
95.3 file such certificate shall not affect the validity of any proceedings hereunder respecting  
95.4 such lands or the title of the state thereto.

95.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

95.6 Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

95.7 **284.07 COUNTY AUDITOR'S CERTIFICATE TO BE PRIMA FACIE**  
95.8 **EVIDENCE.**

95.9 The county auditor's certificate of forfeiture ~~filed~~ recorded by the county auditor  
95.10 as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any  
95.11 other law hereafter enacted providing for the recording of such a certificate or a certified  
95.12 copy of such certificate or of the record thereof, shall, for all purposes, be prima facie  
95.13 evidence that all requirements of the law respecting the taxation and forfeiture of the  
95.14 lands therein described were complied with, and that at the date of the certificate absolute  
95.15 title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as  
95.16 set forth in the certificate.

95.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

95.18 Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

95.19 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue  
95.20 shall make all necessary calculations and make payments pursuant to sections 477A.013,  
95.21 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition,  
95.22 the commissioner shall notify the authorities of their aid amounts, as well as the  
95.23 computational factors used in making the calculations for their authority, and those  
95.24 statewide total figures that are pertinent, before August 1 of the year preceding the aid  
95.25 distribution year.

95.26 (b) For the purposes of this subdivision, aid is determined for a city or town based  
95.27 on its city or town status as of June 30 of the year preceding the aid distribution year. If  
95.28 the effective date for a municipal incorporation, consolidation, annexation, detachment,  
95.29 dissolution, or township organization is on or before June 30 of the year preceding  
95.30 the aid distribution year, such change in boundaries or form of government shall be  
95.31 recognized for aid determinations for the aid distribution year. If the effective date for a  
95.32 municipal incorporation, consolidation, annexation, detachment, dissolution, or township  
95.33 organization is after June 30 of the year preceding the aid distribution year, such change in

96.1 boundaries or form of government shall not be recognized for aid determinations until  
96.2 the following year.

96.3 (c) Changes in boundaries or form of government will only be recognized for the  
96.4 purposes of this subdivision, to the extent that: (1) changes in market values are included  
96.5 in market values reported by assessors to the commissioner, and changes in population,  
96.6 household size, and the road accidents factor are included in their respective certifications  
96.7 to the commissioner as referenced in section 477A.011, or (2) an annexation information  
96.8 report as provided in paragraph (d) is received by the commissioner on or before July 15  
96.9 of the aid calculation year. Revisions to estimates or data for use in recognizing changes  
96.10 in boundaries or form of government are not effective for purposes of this subdivision  
96.11 unless received by the commissioner on or before July 15 of the aid calculation year.  
96.12 Clerical errors in the certification or use of estimates and data established as of July 15 in  
96.13 the aid calculation year are subject to correction within the time periods allowed under  
96.14 subdivision 3.

96.15 (d) In the case of an annexation, an annexation information report may be completed  
96.16 by the annexing jurisdiction and submitted to the commissioner for purposes of this  
96.17 subdivision if the net tax capacity of annexed area for the assessment year preceding the  
96.18 effective date of the annexation exceeds five percent of the city's net tax capacity for the  
96.19 same year. The form and contents of the annexation information report shall be prescribed  
96.20 by the commissioner. The commissioner shall change the net tax capacity, the population,  
96.21 the population decline, the commercial industrial percentage, and the transformed  
96.22 population for the annexing jurisdiction only if the annexation information report provides  
96.23 data the commissioner determines to be reliable for all of these factors used to compute city  
96.24 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940  
96.25 housing percentage, the road accidents factor, and household size only if the entire area of  
96.26 an existing city or town is annexed or consolidated and only if reliable data is available for  
96.27 all of these factors used to compute city revenue need for the annexing jurisdiction.

96.28 **EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

## 96.29 **ARTICLE 7**

### 96.30 **DEPARTMENT OF REVENUE SALES AND USE TAXES**

96.31 Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3,  
96.32 is amended to read:

96.33 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited  
96.34 to, each of the transactions listed in this subdivision.

97.1 (b) Sale and purchase include:

97.2 (1) any transfer of title or possession, or both, of tangible personal property, whether  
97.3 absolutely or conditionally, for a consideration in money or by exchange or barter; and

97.4 (2) the leasing of or the granting of a license to use or consume, for a consideration  
97.5 in money or by exchange or barter, tangible personal property, other than a manufactured  
97.6 home used for residential purposes for a continuous period of 30 days or more.

97.7 (c) Sale and purchase include the production, fabrication, printing, or processing of  
97.8 tangible personal property for a consideration for consumers who furnish either directly or  
97.9 indirectly the materials used in the production, fabrication, printing, or processing.

97.10 (d) Sale and purchase include the preparing for a consideration of food.

97.11 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited  
97.12 to, the following:

97.13 (1) prepared food sold by the retailer;

97.14 (2) soft drinks;

97.15 (3) candy;

97.16 (4) dietary supplements; and

97.17 (5) all food sold through vending machines.

97.18 (e) A sale and a purchase includes the furnishing for a consideration of electricity,  
97.19 gas, water, or steam for use or consumption within this state.

97.20 (f) A sale and a purchase includes the transfer for a consideration of prewritten  
97.21 computer software whether delivered electronically, by load and leave, or otherwise.

97.22 (g) A sale and a purchase includes the furnishing for a consideration of the following  
97.23 services:

97.24 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
97.25 events, and the making available of amusement devices, tanning facilities, reducing  
97.26 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

97.27 (2) lodging and related services by a hotel, rooming house, resort, campground,  
97.28 motel, or trailer camp and the granting of any similar license to use real property in a  
97.29 specific facility, other than the renting or leasing of it for a continuous period of 30 days  
97.30 or more under an enforceable written agreement that may not be terminated without  
97.31 prior notice;

97.32 (3) nonresidential parking services, whether on a contractual, hourly, or other  
97.33 periodic basis, except for parking at a meter;

97.34 (4) the granting of membership in a club, association, or other organization if:

98.1 (i) the club, association, or other organization makes available for the use of its  
98.2 members sports and athletic facilities, without regard to whether a separate charge is  
98.3 assessed for use of the facilities; and

98.4 (ii) use of the sports and athletic facility is not made available to the general public  
98.5 on the same basis as it is made available to members.

98.6 Granting of membership means both onetime initiation fees and periodic membership  
98.7 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and  
98.8 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;  
98.9 swimming pools; and other similar athletic or sports facilities;

98.10 (5) delivery of aggregate materials and concrete block by a third party if the delivery  
98.11 would be subject to the sales tax if provided by the seller of the aggregate material or  
98.12 concrete block; and

98.13 (6) services as provided in this clause:

98.14 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
98.15 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
98.16 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
98.17 include services provided by coin operated facilities operated by the customer;

98.18 (ii) motor vehicle washing, waxing, and cleaning services, including services  
98.19 provided by coin operated facilities operated by the customer, and rustproofing,  
98.20 undercoating, and towing of motor vehicles;

98.21 (iii) building and residential cleaning, maintenance, and disinfecting and  
98.22 exterminating services;

98.23 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
98.24 including services performed within the jurisdiction they serve by off-duty licensed peace  
98.25 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
98.26 organization for monitoring and electronic surveillance of persons placed on in-home  
98.27 detention pursuant to court order or under the direction of the Minnesota Department  
98.28 of Corrections;

98.29 (v) pet grooming services;

98.30 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
98.31 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
98.32 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
98.33 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
98.34 public utility lines. Services performed under a construction contract for the installation of  
98.35 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) 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

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "~~sales at retail sale~~" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable 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 the preceding sentence, "affiliated group of corporations" ~~includes~~ means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, ~~and that are eligible to file a consolidated tax return for federal income tax purposes disregarding the exclusions in section 1504(b).~~

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 65B.29, subdivision 1, clause (1).

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in

100.1 agricultural production of tangible personal property intended to be sold ultimately at  
100.2 retail including, but not limited to:

100.3 (1) machinery for the preparation, seeding, or cultivation of soil for growing  
100.4 agricultural crops;

100.5 (2) barn cleaners, milking systems, grain dryers, feeding systems including  
100.6 stationary feed bunks, and similar installations, whether or not the equipment is installed  
100.7 by the seller and becomes part of the real property; and

100.8 (3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe  
100.9 fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation  
100.10 system when sold as part of an irrigation system, whether or not the equipment is installed  
100.11 by the seller and becomes part of the real property.

100.12 (b) Farm machinery does not include:

100.13 (1) repair or replacement parts;

100.14 (2) tools, shop equipment, grain bins, fencing material, communication equipment,  
100.15 and other farm supplies;

100.16 (3) motor vehicles taxed under chapter 297B;

100.17 (4) snowmobiles or snow blowers;

100.18 (5) lawn mowers except those used in the production of sod for sale, or garden-type  
100.19 tractors or garden tillers; or

100.20 (6) machinery, equipment, implements, accessories, and contrivances used directly in  
100.21 the production of horses not raised for slaughter, fur-bearing animals, or research animals.

100.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.23 Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
100.24 to read:

100.25 Subd. 16a. **Computer.** "Computer" means an electronic device that accepts  
100.26 information in digital or similar form and manipulates it for a result based on a sequence  
100.27 of instructions.

100.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.29 Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
100.30 to read:

100.31 Subd. 16b. **Electronic.** "Electronic" means relating to technology having electrical,  
100.32 digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

100.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

101.1 Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
101.2 to read:

101.3 Subd. 16c. Computer software. "Computer software" means a set of coded  
101.4 instructions designed to cause a computer or automatic data processing equipment to  
101.5 perform a task.

101.6 EFFECTIVE DATE. This section is effective the day following final enactment.

101.7 Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

101.8 Subd. 17. **Prewritten computer software.** "Prewritten computer software" means  
101.9 computer software, including prewritten upgrades, that is not designed and developed by  
101.10 the author or other creator to the specifications of a specific purchaser. The combining  
101.11 of two or more "prewritten computer software" programs or prewritten portions of the  
101.12 programs does not cause the combination to be other than "prewritten computer software."  
101.13 "Prewritten computer software" includes software designed and developed by the author  
101.14 or other creator to the specifications of a specific purchaser when it is sold to a person  
101.15 other than the specific purchaser. If a person modifies or enhances computer software  
101.16 of which the person is not the author or creator, the person is deemed to be the author  
101.17 or creator only of such person's modifications or enhancements. "Prewritten computer  
101.18 software" or a prewritten portion of it that is modified or enhanced to any degree, if the  
101.19 modification or enhancement is designed and developed to the specifications of a specific  
101.20 purchaser, remains "prewritten computer software"; provided, however, that if there is a  
101.21 reasonable, separately stated charge or an invoice or other statement of the price given to  
101.22 the purchaser for such modification or enhancement, the modification or enhancement  
101.23 does not constitute "prewritten computer software." ~~For purposes of this subdivision:~~

101.24 ~~(1) "computer" means an electronic device that accepts information in digital or~~  
101.25 ~~similar form and manipulates it for a result based on a sequence of instructions;~~

101.26 ~~(2) "electronic" means relating to technology having electrical, digital, magnetic,~~  
101.27 ~~wireless, optical, electromagnetic, or similar capabilities; and~~

101.28 ~~(3) "computer software" means a set of coded instructions designed to cause a~~  
101.29 ~~"computer" or automatic data processing equipment to perform a task.~~

101.30 EFFECTIVE DATE. This section is effective the day following final enactment.

101.31 Sec. 7. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
101.32 to read:

102.1        **Subd. 37. Logging equipment.** (a) "Logging equipment" means new or used  
102.2 machinery, equipment, implements, accessories, and contrivances used directly and  
102.3 principally in the commercial cutting or removal or both of timber or other solid wood  
102.4 forest products, including, but not limited to:  
102.5        (1) machinery used for bucking, bunching, debarking, delimbing, felling, forwarding,  
102.6 loading, piling, skidding, topping, and yarding operations performed on timber; and  
102.7        (2) chain saws.  
102.8        **(b) Logging equipment does not include:**  
102.9        (1) repair or replacement parts;  
102.10       (2) tools, shop equipment, communication equipment, and other logging supplies;  
102.11       (3) motor vehicles taxed under chapter 297B;  
102.12       (4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or  
102.13       (5) machinery, equipment, implements, accessories, and contrivances used in the  
102.14 creation of other commercial wood products for sale to others, including, but not limited  
102.15 to, milling, planing, carving, wood chipping, or paper manufacturing.

102.16        **EFFECTIVE DATE.** This section is effective the day following final enactment.

102.17        Sec. 8. Minnesota Statutes 2004, section 297A.63, is amended to read:

102.18        **297A.63 USE TAXES IMPOSED; RATES.**

102.19        **Subdivision 1. Use of tangible personal property or taxable services.** (a) For the  
102.20 privilege of using, storing, distributing, or consuming in Minnesota tangible personal  
102.21 property or taxable services purchased for use, storage, distribution, or consumption in  
102.22 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the sales  
102.23 purchase price of retail sales of the tangible personal property or taxable services at the  
102.24 rate of tax imposed under section 297A.62. A person that purchases property from a  
102.25 Minnesota retailer and returns the tangible personal property to a point within Minnesota,  
102.26 except in the course of interstate commerce, after it was delivered outside of Minnesota,  
102.27 is subject to the use tax.

102.28        (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62  
102.29 was paid on the sales price of the tangible personal property or taxable services.

102.30        (c) No tax is imposed under paragraph (a) if the purchase meets the requirements for  
102.31 exemption under section 297A.67, subdivision 21.

102.32        **Subd. 2. Use of tangible personal property made from materials.** (a) A use tax  
102.33 is imposed on a person who manufactures, fabricates, or assembles tangible personal  
102.34 property from materials, either within or outside this state and who uses, stores, distributes,



103.1 or consumes the tangible personal property in Minnesota. The tax is imposed on the sales  
103.2 purchase price of retail sales of the materials contained in the tangible personal property at  
103.3 the rate of tax imposed under section 297A.62.

103.4 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62  
103.5 was paid on the sales price of materials contained in the tangible personal property.

103.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

103.7 Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

103.8 Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions  
103.9 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the  
103.10 time of its purchase of a digital good, computer software delivered electronically, or a  
103.11 service that the digital good, computer software delivered electronically, or service will  
103.12 be concurrently available for use in more than one ~~taxing~~ jurisdiction shall deliver to  
103.13 the seller in conjunction with its purchase a multiple points of use exemption certificate  
103.14 disclosing this fact.

103.15 (b) Upon receipt of the multiple points of use exemption certificate, the seller is  
103.16 relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is  
103.17 obligated to collect, pay, or remit the applicable tax on a direct pay basis.

103.18 (c) A purchaser delivering the multiple points of use exemption certificate may use  
103.19 any reasonable, but consistent and uniform, method of apportionment that is supported by  
103.20 the purchaser's business records as they exist at the time of the consummation of the sale.

103.21 (d) The multiple points of use exemption certificate remains in effect for all future  
103.22 sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent  
103.23 sale's specific apportionment that is governed by the principle of paragraph (c) and the  
103.24 facts existing at the time of the sale.

103.25 (e) A holder of a direct pay permit is not required to deliver a multiple points or use  
103.26 exemption certificate to the seller. A direct pay permit holder shall follow the provisions  
103.27 of paragraph (c) in apportioning the tax due on a digital good, computer software delivered  
103.28 electronically, or a service that will be concurrently available for use in more than one  
103.29 ~~taxing~~ jurisdiction.

103.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

103.31 Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to  
103.32 read:

104.1 Subd. 11. **Mobile telecommunications service.** "Mobile telecommunications  
104.2 service," for purposes of this section, means the same as that term is defined in Section  
104.3 ~~124(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

104.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.5 Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

104.6 Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy,  
104.7 and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums,  
104.8 nursing homes, senior citizen homes, and correctional, detention, and detoxification  
104.9 facilities are exempt. Food sold through vending machines is not exempt.

104.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.11 Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

104.12 Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy,  
104.13 and soft drinks served at public and private elementary, middle, or secondary schools as  
104.14 defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft  
104.15 drinks served to students at a college, university, or private career school under a board  
104.16 contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not~~  
104.17 ~~include sales from vending machines.~~ Food sold through vending machines is not exempt.

104.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.19 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is  
104.20 amended to read:

104.21 Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks  
104.22 purchased for and served exclusively to individuals who are 60 years of age or over and  
104.23 their spouses or to handicapped persons and their spouses by governmental agencies,  
104.24 nonprofit organizations, or churches, or pursuant to any program funded in whole or in  
104.25 part through United States Code, title 42, sections 3001 through 3045, wherever delivered,  
104.26 prepared, or served, are exempt. Food sold through vending machines is not exempt.

104.27 (b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served  
104.28 exclusively to children who are less than 14 years of age or disabled children who are less  
104.29 than 16 years of age and who are attending a child care or early childhood education  
104.30 program, are exempt if they are:

- 105.1 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,  
105.2 subdivision 4, and that primarily serves families with income of 250 percent or less of  
105.3 federal poverty guidelines; and  
105.4 (2) prepared at the site of the child care facility.

105.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

105.6 Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

105.7 Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers  
105.8 and related computer software sold by a school, college, university, or private career  
105.9 school to students who are enrolled at the institutions are exempt if:

105.10 (1) the use of the ~~personal~~ computer, or of a substantially similar model of computer,  
105.11 and the related computer software is prescribed by the institution in conjunction with a  
105.12 course of study; and

105.13 (2) each student of the institution, or of a unit of the institution in which the student  
105.14 is enrolled, is required by the institution to have such a ~~personal~~ computer and related  
105.15 software as a condition of enrollment.

105.16 For the purposes of this subdivision, "school" and "private career school" have the  
105.17 meanings given in subdivision 13.

105.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

105.19 Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

105.20 Subd. 27. **Sewing materials.** Sewing materials are exempt. For purposes of this  
105.21 subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim,  
105.22 and other items that are usually directly incorporated into the construction of clothing, as  
105.23 defined in subdivision 8, regardless of whether it is actually used for making clothing.  
105.24 It does not include batting, foam, or fabric specifically manufactured for arts and craft  
105.25 projects, or other materials for craft projects.

105.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

105.27 Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37,  
105.28 is amended to read:

105.29 Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal  
105.30 property or taxable services by a qualified business, as defined in section 469.310, are  
105.31 exempt if the property or services are primarily used or consumed in a job opportunity  
105.32 building zone designated under section 469.314. For purposes of this subdivision, an aerial

106.1 camera package, including any camera, computer, and navigation device contained in the  
106.2 package, that is used in an aircraft that is operated under a Federal Aviation Administration  
106.3 Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14,  
106.4 part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and  
106.5 dispatched from a job opportunity building zone, qualifies as primarily used or consumed  
106.6 in a job opportunity building zone if the imagery acquired from the aerial camera package  
106.7 is returned to the job opportunity building zone for processing. The exemption for an  
106.8 aerial camera package is limited to \$50,000 in taxes as provided in this subdivision and  
106.9 the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,  
106.10 applied and then refunded in the manner provided in section 297A.75. The total amount  
106.11 of the aerial camera package exemption refunded for all taxpayers for all fiscal years is  
106.12 limited to \$50,000 in taxes.

106.13 (b) Purchase and use of construction materials; and supplies, or equipment used or  
106.14 consumed in, and equipment incorporated into, the construction of improvements to  
106.15 real property in a job opportunity building zone are exempt if the improvements after  
106.16 completion of construction are to be used in the conduct of a qualified business, as defined  
106.17 in section 469.310. This exemption applies regardless of whether the purchases are made  
106.18 by the business or a contractor.

106.19 (c) The exemptions under this subdivision apply to a local sales and use tax  
106.20 regardless of whether the local sales tax is imposed on the sales taxable as defined under  
106.21 this chapter.

106.22 (d) This subdivision applies to sales, if the purchase was made and delivery received  
106.23 during the duration of the zone.

106.24 (e) Notwithstanding the restriction in paragraph (a), which requires items purchased  
106.25 to be primarily used or consumed in the zone, purchases by a qualified business that is  
106.26 an electrical cooperative located in Meeker County of equipment and materials used for  
106.27 the generation, transmission, and distribution of electrical energy are exempt under this  
106.28 subdivision, except that:

106.29 (1) the exemption for materials and equipment used or consumed outside the zone  
106.30 must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

106.31 (2) no sales and use tax exemption is allowed for equipment purchased for resale.

106.32 For purposes of this paragraph, the tax must be imposed and collected as if the rate  
106.33 under section 297A.62, subdivision 1, applied and then refunded in the manner provided  
106.34 in section 297A.75.

107.1 **EFFECTIVE DATE.** Paragraphs (a) and (e) are effective for sales and purchases  
107.2 made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made  
107.3 on or after January 1, 2004.

107.4 Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38,  
107.5 is amended to read:

107.6 Subd. 38. **Biotechnology and health sciences industry zone.** (a) Purchases of  
107.7 tangible personal property or taxable services by a qualified business, as defined in section  
107.8 469.330, are exempt if the property or services are primarily used or consumed in a  
107.9 biotechnology and health sciences industry zone designated under section 469.334.

107.10 (b) Purchase and use of construction materials, and supplies, or equipment used  
107.11 or consumed in, and equipment incorporated into, the construction of improvements  
107.12 to real property in a biotechnology and health sciences industry zone are exempt if the  
107.13 improvements after completion of construction are to be used in the conduct of a qualified  
107.14 business, as defined in section 469.330. This exemption applies regardless of whether the  
107.15 purchases are made by the business or a contractor.

107.16 (c) The exemptions under this subdivision apply to a local sales and use tax  
107.17 regardless of whether the local sales tax is imposed on the sales taxable as defined under  
107.18 this chapter.

107.19 (d)(1) The tax on sales of goods or services exempted under this subdivision are  
107.20 imposed and collected as if the applicable rate under section 297A.62 applied. Upon  
107.21 application by the purchaser, on forms prescribed by the commissioner, a refund equal  
107.22 to the tax paid must be paid to the purchaser. The application must include sufficient  
107.23 information to permit the commissioner to verify the sales tax paid and the eligibility of  
107.24 the claimant to receive the credit. No more than two applications for refunds may be filed  
107.25 under this subdivision in a calendar year. The provisions of section 289A.40 apply to  
107.26 the refunds payable under this subdivision.

107.27 (2) The amount required to make the refunds is annually appropriated to the  
107.28 commissioner of revenue.

107.29 (3) The aggregate amount refunded to a qualified business must not exceed the  
107.30 amount allocated to the qualified business under section 469.335.

107.31 (e) This subdivision applies only to sales made during the duration of the designation  
107.32 of the zone.

107.33 **EFFECTIVE DATE.** This section is effective for sales and purchases made on  
107.34 or after January 1, 2004.

108.1 Sec. 18. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

108.2 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),

108.3 to the following governments and political subdivisions, or to the listed agencies or

108.4 instrumentalities of governments and political subdivisions, are exempt:

108.5 (1) the United States and its agencies and instrumentalities;

108.6 (2) school districts, the University of Minnesota, state universities, community

108.7 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts

108.8 Education, and an instrumentality of a political subdivision that is accredited as an

108.9 optional/special function school by the North Central Association of Colleges and Schools;

108.10 (3) hospitals and nursing homes owned and operated by political subdivisions of

108.11 the state of tangible personal property and taxable services used at or by hospitals and

108.12 nursing homes;

108.13 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip

108.14 operations provided for in section 473.4051;

108.15 (5) other states or political subdivisions of other states, if the sale would be exempt

108.16 from taxation if it occurred in that state; and

108.17 (6) sales to public libraries, public library systems, multicounty, multitype library

108.18 systems as defined in section 134.001, county law libraries under chapter 134A, state

108.19 agency libraries, the state library under section 480.09, and the Legislative Reference

108.20 Library.

108.21 (b) This exemption does not apply to the sales of the following products and services:

108.22 (1) building, construction, or reconstruction materials purchased by a contractor

108.23 or a subcontractor as a part of a lump-sum contract or similar type of contract with a

108.24 guaranteed maximum price covering both labor and materials for use in the construction,

108.25 alteration, or repair of a building or facility;

108.26 (2) construction materials purchased by tax exempt entities or their contractors to

108.27 be used in constructing buildings or facilities which will not be used principally by the

108.28 tax exempt entities;

108.29 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5,

108.30 except for leases entered into by the United States or its agencies or instrumentalities; or

108.31 (4) ~~meals and lodging~~ as defined under section 297A.61, subdivision 3, ~~paragraphs~~

108.32 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for

108.33 ~~meals and lodging, prepared food, candy, and soft drinks~~ purchased directly by the United

108.34 States or its agencies or instrumentalities.

109.1 (c) As used in this subdivision, "school districts" means public school entities and  
109.2 districts of every kind and nature organized under the laws of the state of Minnesota, and  
109.3 any instrumentality of a school district, as defined in section 471.59.

109.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

109.5 Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

109.6 Subd. 3. **Sales of certain goods and services to government.** (a) The following  
109.7 sales to or use by the specified governments and political subdivisions of the state are  
109.8 exempt:

109.9 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and  
109.10 fire apparatus to a political subdivision;

109.11 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
109.12 municipal solid waste management services at a solid waste disposal facility as defined in  
109.13 section 115A.03, subdivision 10;

109.14 (3) chore and homemaking services to a political subdivision of the state to be  
109.15 provided to elderly or disabled individuals;

109.16 (4) telephone services to the Department of Administration that are used to provide  
109.17 telecommunications services through the intertechnologies revolving fund;

109.18 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
109.19 or authorized by and for the use of an organized fire department, fire protection district, or  
109.20 fire company regularly charged with the responsibility of providing fire protection to the  
109.21 state or a political subdivision;

109.22 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
109.23 protection, if purchased by a law enforcement agency of the state or a political subdivision  
109.24 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

109.25 (7) motor vehicles purchased or leased by political subdivisions of the state if the  
109.26 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),  
109.27 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax  
109.28 under section 297B.03, clause (12);

109.29 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
109.30 treatment facilities of political subdivisions, and materials incidental to installation of  
109.31 that equipment; ~~and~~

109.32 (9) sales to a town of gravel and of machinery, equipment, and accessories, except  
109.33 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of  
109.34 motor vehicles exempt from tax under section 297B.03, clause (10); and

110.1 (10) the removal of trees, bushes, or shrubs for the construction and maintenance  
 110.2 of roads, trails, or firebreaks when purchased by an agency of the state or a political  
 110.3 subdivision of the state.

110.4 (b) For purposes of this subdivision, "firefighters personal protective equipment"  
 110.5 means helmets, including face shields, chin straps, and neck liners; bunker coats and  
 110.6 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;  
 110.7 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;  
 110.8 personal alert safety systems; spanner belts; optical or thermal imaging search devices;  
 110.9 and all safety equipment required by the Occupational Safety and Health Administration.

110.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 110.11 October 28, 2002, but for sales and purchases made after October 28, 2002, and before  
 110.12 July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for  
 110.13 sales taxes collected and remitted to the state.

110.14 Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

110.15 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph  
 110.16 (b), to the following "nonprofit organizations" are exempt:

110.17 (1) a corporation, society, association, foundation, or institution organized and  
 110.18 operated exclusively for charitable, religious, or educational purposes if the item  
 110.19 purchased is used in the performance of charitable, religious, or educational functions; and

110.20 (2) any senior citizen group or association of groups that:

110.21 (i) in general limits membership to persons who are either age 55 or older, or  
 110.22 physically disabled; and

110.23 (ii) is organized and operated exclusively for pleasure, recreation, and other  
 110.24 nonprofit purposes, no part of the net earnings of which inures to the benefit of any private  
 110.25 shareholders.

110.26 For purposes of this subdivision, charitable purpose includes the maintenance of a  
 110.27 cemetery owned by a religious organization.

110.28 (b) This exemption does not apply to the following sales:

110.29 (1) building, construction, or reconstruction materials purchased by a contractor  
 110.30 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
 110.31 guaranteed maximum price covering both labor and materials for use in the construction,  
 110.32 alteration, or repair of a building or facility;



111.1 (2) construction materials purchased by tax-exempt entities or their contractors to  
 111.2 be used in constructing buildings or facilities that will not be used principally by the  
 111.3 tax-exempt entities; and

111.4 (3) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~  
 111.5 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks; and

111.6 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as  
 111.7 provided in paragraph (c).

111.8 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
 111.9 297B.01, subdivision 5, only if the vehicle is:

111.10 (1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a  
 111.11 passenger automobile, as defined in section 168.011, if the automobile is designed and  
 111.12 used for carrying more than nine persons including the driver; and

111.13 (2) intended to be used primarily to transport tangible personal property or  
 111.14 individuals, other than employees, to whom the organization provides service in  
 111.15 performing its charitable, religious, or educational purpose.

111.16 (d) A limited liability company also qualifies for exemption under this subdivision if  
 111.17 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
 111.18 purchased qualify for the exemption.

111.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

111.20 Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

111.21 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those  
 111.22 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in  
 111.23 providing hospital services. For purposes of this subdivision, "hospital" means a hospital  
 111.24 organized and operated for charitable purposes within the meaning of section 501(c)(3) of  
 111.25 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,  
 111.26 and "hospital services" are services authorized or required to be performed by a "hospital"  
 111.27 under chapter 144.

111.28 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center  
 111.29 are exempt, if the items purchased are used in providing outpatient surgical services. For  
 111.30 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical  
 111.31 center organized and operated for charitable purposes within the meaning of section  
 111.32 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other  
 111.33 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:  
 111.34 (1) services authorized or required to be performed by an outpatient surgical center under  
 111.35 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means

112.1 health services furnished to a person whose medical condition is sufficiently acute to  
 112.2 require treatment unavailable through, or inappropriate to be provided by, a clinic or  
 112.3 physician's office, but not so acute as to require treatment in a hospital emergency room.

112.4 (c) This exemption does not apply to the following products and services:

112.5 (1) purchases made by a clinic, physician's office, or any other medical facility not  
 112.6 operating as a hospital or outpatient surgical center, even though the clinic, office, or  
 112.7 facility may be owned and operated by a hospital or outpatient surgical center;

112.8 (2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph  
 112.9 (g), clause (2), and prepared food, candy, and soft drinks;

112.10 (3) building and construction materials used in constructing buildings or facilities  
 112.11 that will not be used principally by the hospital or outpatient surgical center;

112.12 (4) building, construction, or reconstruction materials purchased by a contractor  
 112.13 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
 112.14 guaranteed maximum price covering both labor and materials for use in the construction,  
 112.15 alteration, or repair of a hospital or outpatient surgical center; or

112.16 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

112.17 (d) A limited liability company also qualifies for exemption under this subdivision if

112.18 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
 112.19 purchased qualify for the exemption.

112.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

112.21 Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

112.22 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following  
 112.23 sales by the specified organizations for fund-raising purposes are exempt, subject to the  
 112.24 limitations listed in paragraph (b):

112.25 (1) all sales made by an organization that exists solely for the purpose of providing  
 112.26 educational or social activities for young people primarily age 18 and under;

112.27 (2) all sales made by an organization that is a senior citizen group or association of  
 112.28 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized  
 112.29 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)  
 112.30 no part of its net earnings inures to the benefit of any private shareholders;

112.31 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if  
 112.32 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization  
 112.33 under section 501(c)(3) of the Internal Revenue Code; and

113.1 (4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a  
113.2 nonprofit organization that provides educational and social activities primarily for young  
113.3 people age 18 and under.

113.4 (b) The exemptions listed in paragraph (a) are limited in the following manner:

113.5 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross  
113.6 annual receipts of the organization from fund-raising do not exceed \$10,000; and

113.7 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are  
113.8 derived from admission charges or from activities for which the money must be deposited  
113.9 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in  
113.10 the same manner as other revenues or expenditures of the school district under section  
113.11 123B.49, subdivision 4.

113.12 (c) Sales of tangible personal property are exempt if the entire proceeds, less the  
113.13 necessary expenses for obtaining the property, will be contributed to a registered combined  
113.14 charitable organization described in section 309.501, to be used exclusively for charitable,  
113.15 religious, or educational purposes, and the registered combined charitable organization  
113.16 has given its written permission for the sale. Sales that occur over a period of more than  
113.17 24 days per year are not exempt under this paragraph.

113.18 (d) For purposes of this subdivision, a club, association, or other organization of  
113.19 elementary or secondary school students organized for the purpose of carrying on sports,  
113.20 educational, or other extracurricular activities is a separate organization from the school  
113.21 district or school for purposes of applying the \$10,000 limit.

113.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

113.23 Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

113.24 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of  
113.25 tangible personal property at, and admission charges for fund-raising events sponsored  
113.26 by, a nonprofit organization are exempt if:

113.27 (1) all gross receipts are recorded as such, in accordance with generally accepted  
113.28 accounting practices, on the books of the nonprofit organization; and

113.29 (2) the entire proceeds, less the necessary expenses for the event, will be used  
113.30 solely and exclusively for charitable, religious, or educational purposes. Exempt sales  
113.31 include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the  
113.32 fund-raising event.

113.33 (b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues foregone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61, subdivision 3, or any other provision of this chapter, the gross receipts from the following sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports Commission to conduct a series of statewide amateur athletic games and related events, workshops, and clinics are exempt:

(1) sales of tangible personal property to or the storage, use, or other consumption of tangible personal property by the nonprofit corporation; and

(2) sales of tangible personal property, admission charges, and sales of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at fund-raising events, athletic events, or athletic facilities.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

115.1 Sec. 25. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is  
 115.2 amended to read:

115.3 Subd. 2. **Content and form of exemption certificate.** An exemption certificate  
 115.4 must be substantially in the form prescribed by the commissioner and:

115.5 (1) be signed by the purchaser or meet the requirements of section 270C.304;

115.6 (2) bear the name and address of the purchaser; and

115.7 (3) indicate the sales tax account number, if any, issued to the purchaser;

115.8 ~~(4) indicate the general character of the property sold by the purchaser in the regular~~  
 115.9 ~~course of business or the activities carried on by the organization; and~~

115.10 ~~(5) identify the property purchased.~~

115.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

115.12 Sec. 26. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is  
 115.13 amended to read:

115.14 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
 115.15 following exempt items must be imposed and collected as if the sale were taxable and the  
 115.16 rate under section 297A.62, subdivision 1, applied. The exempt items include:

115.17 (1) capital equipment exempt under section 297A.68, subdivision 5;

115.18 (2) building materials for an agricultural processing facility exempt under section  
 115.19 297A.71, subdivision 13;

115.20 (3) building materials for mineral production facilities exempt under section  
 115.21 297A.71, subdivision 14;

115.22 (4) building materials for correctional facilities under section 297A.71, subdivision  
 115.23 3;

115.24 (5) building materials used in a residence for disabled veterans exempt under section  
 115.25 297A.71, subdivision 11;

115.26 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

115.27 (7) building materials for the Long Lake Conservation Center exempt under section  
 115.28 297A.71, subdivision 17;

115.29 (8) materials, supplies, fixtures, furnishings, and equipment for a county law  
 115.30 enforcement and family service center under section 297A.71, subdivision 26;

115.31 (9) materials and supplies for qualified low-income housing under section 297A.71,  
 115.32 subdivision 23; and

115.33 (10) materials, supplies, and equipment for municipal electric utility facilities under  
 115.34 section 297A.71, subdivision 35;

116.1 (11) equipment and materials used for the generation, transmission, and distribution  
 116.2 of electrical energy and an aerial camera package exempt under section 297A.68,  
 116.3 subdivision 37; and

116.4 (12) tangible personal property and taxable services and construction materials,  
 116.5 supplies, and equipment exempt under section 297A.68, subdivision 41.

116.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

116.7 Sec. 27. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is  
 116.8 amended to read:

116.9 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 116.10 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 116.11 must be paid to the applicant. Only the following persons may apply for the refund:

116.12 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

116.13 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental  
 116.14 subdivision;

116.15 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
 116.16 provided in United States Code, title 38, chapter 21;

116.17 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
 116.18 property;

116.19 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing  
 116.20 project; ~~and~~

116.21 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or  
 116.22 a joint venture of municipal electric utilities; and

116.23 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

116.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

116.25 Sec. 28. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is  
 116.26 amended to read:

116.27 Subd. 3. **Application.** (a) The application must include sufficient information  
 116.28 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
 116.29 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), ~~or~~ (10),  
 116.30 (11), or (12), the contractor, subcontractor, or builder must furnish to the refund applicant  
 116.31 a statement including the cost of the exempt items and the taxes paid on the items unless  
 116.32 otherwise specifically provided by this subdivision. The provisions of sections 289A.40  
 116.33 and 289A.50 apply to refunds under this section.

117.1 (b) An applicant may not file more than two applications per calendar year for  
117.2 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

117.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

117.4 Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1,  
117.5 is amended to read:

117.6 Subdivision 1. **Motor vehicle lease price; payment.** (a) In the case of a lease of a  
117.7 motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the  
117.8 tax is imposed on the total amount to be paid by the lessee under the lease agreement. The  
117.9 lessor shall collect the tax in full at the time the lease is executed or, if the tax is included  
117.10 in the lease and the lease is assigned, the tax is due from the original lessor at the time the  
117.11 lease is assigned. The total amount to be paid by the lessee under the lease agreement  
117.12 equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual  
117.13 value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee  
117.14 taken in trade by the lessor, plus the price of any taxable goods and services included in  
117.15 the lease and the rent charge as provided by Code of Federal Regulations, title 12, section  
117.16 213.4, excluding any rent charge related to the capitalization of the tax.

117.17 (b) If the total amount paid by the lessee for use of the leased vehicle includes  
117.18 amounts that are not calculated at the time the lease is executed, the tax is imposed and  
117.19 must be collected by the lessor at the time the amounts are paid by the lessee. In the case  
117.20 of a lease which by its terms may be renewed, the sales tax is due and payable on the  
117.21 total amount to be paid during the initial term of the lease, and then for each subsequent  
117.22 renewal period on the total amount to be paid during the renewal period.

117.23 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a  
117.24 vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim  
117.25 for a refund of the total tax paid minus the amount of tax due for the period the vehicle is  
117.26 used by the lessee.

117.27 (d) If a lessee's obligation to make payments on a lease is canceled more than 90  
117.28 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax  
117.29 due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is  
117.30 consummated within 30 days of the date the prior lease was canceled. The amount of the  
117.31 credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2)  
117.32 the ratio of the number of full months remaining in the lease at the time of termination  
117.33 compared to the term of the lease used in calculating sales tax paid at the inception of the  
117.34 lease. The credit or any part of it cannot be assigned or transferred to another person.

118.1 **EFFECTIVE DATE.** This section is effective for leases entered into after  
118.2 September 30, 2005.

118.3 Sec. 30. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

118.4 Subd. 7. **Exemptions.** (a) All goods or services that are otherwise exempt from  
118.5 taxation under this chapter are exempt from a political subdivision's tax.

118.6 (b) ~~The gross receipts from the sale of tangible personal property that meets the~~  
118.7 ~~requirement of section 297A.68, subdivision 15, are exempt, except the qualification~~  
118.8 ~~test applies based on the boundaries of the political subdivision instead of the state~~  
118.9 ~~of Minnesota.~~

118.10 (c) All mobile transportation equipment, and parts and accessories attached to or  
118.11 to be attached to the equipment are exempt, if purchased by a holder of a motor carrier  
118.12 direct pay permit under section 297A.90.

118.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

118.14 Sec. 31. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective  
118.15 date, is amended to read:

118.16

118.17

118.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
118.19 October 28, 2002, but for land clearing contracts entered into after October 28, 2002,  
118.20 but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section  
118.21 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

118.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

118.23 Sec. 32. **REPEALER.**

118.24 (a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

118.25 (b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7,  
118.26 and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

118.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.



## ARTICLE 8

## DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES

Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is amended to read:

Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility shall register on or before October 1 of each year with the commissioner of revenue in a manner prescribed by the commissioner of revenue and pay a registration fee for the facility. The amount of the fee is:

(1) \$500, for facilities with a full-time equivalence of fewer than five;

(2) \$1,000, for facilities with a full-time equivalence of five to ten; and

(3) \$1,500, for facilities with a full-time equivalence of more than ten.

The registration fee must be paid on or before October 18 or the owner or operator of a dry cleaning facility may elect to pay the fee in equal installments. Installment payments must be paid on or before October 18, on or before January 18, on or before April 18, and on or before June 18. All payments made after October 18 bear interest at the rate specified in section 270C.40.

(b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the state shall collect and remit to the commissioner of revenue in a manner prescribed by the commissioner of revenue, on or before the 20th day of the month following the month in which the sales of dry cleaning solvents are made, a fee of:

(1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities in the state;

(2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use by dry cleaning facilities in the state; and

(3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry cleaning facilities in the state.

(c) The audit, assessment, appeal, collection, enforcement, and administrative provisions of chapters 270C and 289A apply to the fee imposed by this subdivision. To enforce this subdivision, the commissioner of revenue may grant extensions to file returns and pay fees, impose penalties and interest on the annual registration fee under paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in the manner provided in chapters 270C and 289A. The penalties and interest imposed on taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure of data collected by the commissioner of revenue under this subdivision is governed by chapter 270B.

120.1 **EFFECTIVE DATE.** This section is effective for returns and payments due on  
120.2 or after October 1, 2006.

120.3 Sec. 2. **[287.222] TRANSFER TO OBTAIN FINANCING.**

120.4 The deed tax is \$1.65 on a deed or other instrument that transfers real property if  
120.5 the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary,  
120.6 and (3) done solely to enable the builder or contractor to obtain financing to build an  
120.7 improvement on the conveyed property under a contract for improvement with the grantor  
120.8 that calls for the conveyed property to be reconveyed to the grantor upon completion of  
120.9 and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument  
120.10 that transfers the real property back from the builder or contractor to the grantor.

120.11 **EFFECTIVE DATE.** This section is effective for deeds both executed and recorded  
120.12 on or after July 1, 2006.

120.13 Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:

120.14 Subd. 4. **Health care provider.** (a) "Health care provider" means:

120.15 (1) a person whose health care occupation is regulated or required to be regulated by  
120.16 the state of Minnesota furnishing any or all of the following goods or services directly to a  
120.17 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,  
120.18 drugs, laboratory, diagnostic or therapeutic services;

120.19 (2) a person who provides goods and services not listed in clause (1) that qualify for  
120.20 reimbursement under the medical assistance program provided under chapter 256B;

120.21 (3) a staff model health plan company;

120.22 (4) an ambulance service required to be licensed; or

120.23 (5) a person who sells or repairs hearing aids and related equipment or prescription  
120.24 eyewear.

120.25 (b) Health care provider does not include:

120.26 (1) hospitals; medical supplies distributors, except as specified under paragraph

120.27 (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other  
120.28 jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other

120.29 providers of transportation services other than ambulance services required to be licensed;

120.30 supervised living facilities for persons with mental retardation or related conditions,

120.31 licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes~~

120.32 ~~licensed under chapter 144B;~~ housing with services establishments required to be

120.33 registered under chapter 144D; board and lodging establishments providing only custodial

120.34 services that are licensed under chapter 157 and registered under section 157.17 to

121.1 provide supportive services or health supervision services; adult foster homes as defined  
 121.2 in Minnesota Rules, part 9555.5105; day training and habilitation services for adults  
 3 with mental retardation and related conditions as defined in section 252.41, subdivision  
 121.4 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day  
 121.5 care centers as defined in Minnesota Rules, part 9555.9600;

121.6 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart  
 121.7 15; a person providing personal care services and supervision of personal care services  
 121.8 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing  
 121.9 services as defined in Minnesota Rules, part 9505.0360; and home care providers required  
 121.10 to be licensed under chapter 144A;

121.11 (3) a person who employs health care providers solely for the purpose of providing  
 121.12 patient services to its employees; and

121.13 (4) an educational institution that employs health care providers solely for the  
 121.14 purpose of providing patient services to its students if the institution does not receive fee  
 121.15 for service payments or payments for extended coverage.

121.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

121.17 Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

121.18 Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or~~ health care  
 121.19 provider, or wholesale drug distributor must not state the tax obligation under section  
 121.20 295.52 in a deceptive or misleading manner. It must not separately state tax obligations  
 121.21 on bills provided to patients, consumers, or other payers when the amount received for  
 121.22 the services or goods is not subject to tax.

121.23 Pharmacies that separately state the tax obligations on bills provided to consumers  
 121.24 or to other payers who purchase legend drugs may state the tax obligation as the wholesale  
 121.25 price of the legend drugs multiplied by the tax percentage specified in section 295.52.  
 121.26 Pharmacies must not state the tax obligation based on the retail price.

121.27 Whenever the commissioner determines that a person has engaged in any act or  
 121.28 practice constituting a violation of this subdivision, the commissioner may bring an action  
 121.29 in the name of the state in the district court of the appropriate county to enjoin the act  
 121.30 or practice and to enforce compliance with this subdivision, or the commissioner may  
 121.31 refer the matter to the attorney general or the county attorney of the appropriate county.  
 121.32 Upon a proper showing, a permanent or temporary injunction, restraining order, or other  
 12 appropriate relief must be granted.

121.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

122.1 Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision  
122.2 to read:

122.3 Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means  
122.4 (1) the average retail price per pack of 20 cigarettes, with the average price weighted by  
122.5 the number of packs sold at each price, (2) reduced by the sales tax included in the retail  
122.6 price, and (3) adjusted for the expected inflation from the time of the survey to the average  
122.7 of the 12 months that the sales tax will be imposed. The commissioner shall make the  
122.8 inflation adjustment in accordance with the Consumer Price Index for all urban consumers  
122.9 inflation indicator as published in the most recent state budget forecast. The inflation  
122.10 factor for the calendar year in which the new tax rate takes effect must be used.

122.11 **EFFECTIVE DATE.** This section is effective April 30, 2006.

122.12 Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

122.13 Subd. 7. **Distilled spirits.** "Distilled spirits" is means:

122.14 (1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of  
122.15 wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and  
122.16 mixtures, for nonindustrial use;

122.17 (2) any beverage that would be classified as a flavored malt beverage except that the  
122.18 alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent  
122.19 of the alcohol content of the product; or

122.20 (3) any beverage that would be classified as a flavored malt beverage except that the  
122.21 beverage contains more than six percent alcohol by volume, and more than 1.5 percent  
122.22 of the volume of the finished product consists of alcohol derived from flavors and other  
122.23 nonbeverage ingredients that contain alcohol.

122.24 **EFFECTIVE DATE.** This section is effective July 1, 2006.

122.25 Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision  
122.26 to read:

122.27 Subd. 8a. **Flavored malt beverage.** (a) "Flavored malt beverage" means a  
122.28 fermented malt beverage that:

122.29 (1) contains six percent or less alcohol by volume and derives at least 51 percent of  
122.30 its alcohol content by volume from the fermentation of grain, as long as not more than 49  
122.31 percent of the beverage's overall alcohol content is obtained from flavors and other added  
122.32 nonbeverage ingredients containing alcohol; or

123.1 (2) contains more than six percent alcohol by volume that derives not more than 1.5  
 123.2 percent of its overall alcohol content by volume from flavors and other added nonbeverage  
 123.3 ingredients containing alcohol.

123.4 (b) Flavored malt beverage does not include cider or an alcoholic beverage obtained  
 123.5 primarily by fermentation of rice, such as sake.

123.6 **EFFECTIVE DATE.** This section is effective July 1, 2006.

## 123.7 **ARTICLE 9**

### 123.8 **DEPARTMENT OF REVENUE MISCELLANEOUS**

123.9 Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is  
 123.10 amended to read:

123.11 Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"  
 123.12 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that  
 123.13 is prescribed by the commissioner. Electronic means includes the use of a touch-tone  
 123.14 telephone to transmit return information in a manner prescribed by the commissioner.

123.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

123.16 Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

#### 123.17 **270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

123.18 For purposes of a law administered by the commissioner, the name of the taxpayer,  
 123.19 the name of the taxpayer's authorized agent, or the taxpayer's identification number,  
 123.20 will constitute a signature when transmitted as part of the return information on returns  
 123.21 filed by electronic means by the taxpayer or at the taxpayer's direction. **"Electronic**  
 123.22 ~~means" includes, but is not limited to, the use of a touch-tone telephone to transmit return~~  
 123.23 ~~information in a manner prescribed by the commissioner.~~

123.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

123.25 Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is  
 123.26 amended to read:

123.27 Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of  
 123.28 assessment in any of the following circumstances:

123.29 (1) the commissioner determines that the correct amount of tax is different than that  
 123.30 assessed on a return filed with the commissioner;

124.1 (2) no return has been filed and the commissioner determines the amount of tax  
124.2 that should have been assessed;

124.3 (3) the commissioner determines that the correct amount of a refundable credit  
124.4 is different than the amount claimed by a taxpayer. For purposes of this subdivision,  
124.5 "refundable credit" means a refund benefit or credit due a person that is unrelated to the  
124.6 person's liability for a tax. "Refundable credit" does not include estimated tax payments  
124.7 or withholding taxes. An assessment for an overpayment of a refundable credit may be  
124.8 collected in the same manner as a tax collected by the commissioner; ~~and~~

124.9 (4) the commissioner determines the correct amount of a tax that the taxpayer is not  
124.10 required to assess by a return filed with the commissioner; and

124.11 (5) the commissioner determines that a penalty other than a penalty for late payment  
124.12 of tax, late filing of a return, or failure to pay tax by electronic means should be imposed,  
124.13 and the penalty is not included on an order of assessment made under clauses (1) to (4).

124.14 (b) An order of assessment must be in writing.

124.15 (c) An order of assessment must be signed by the commissioner or a delegate, or  
124.16 have their facsimile signature, if the change in tax, excluding penalties and interest,  
124.17 exceeds \$1,000.

124.18 (d) An order of assessment is final when made but, as applicable, is reviewable  
124.19 administratively under section 270C.35, or appealable to Tax Court under chapter 271.

124.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

124.21 Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is  
124.22 amended to read:

124.23 Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability  
124.24 against a successor business under this section within the time prescribed for collecting  
124.25 the underlying sales and withholding taxes, interest, and penalties. The assessment is  
124.26 presumed to be valid, and the burden is upon the successor to show it is incorrect or  
124.27 invalid. An order assessing successor liability is reviewable administratively under section  
124.28 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate  
124.29 an assessment if the successor's failure to give the notice required under this section is due  
124.30 to reasonable cause. The procedural and appeal provisions under section 270C.34 apply  
124.31 to abatement requests under this subdivision. Collection remedies available against the  
124.32 transferring business are available against the successor from the date of assessment of  
124.33 successor liability.

124.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

125.1 Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is  
 125.2 amended to read:

125.3 Subdivision 1. **Authority.** If any tax payable to the commissioner or to the  
 125.4 department is not paid when due, such tax may be collected by the commissioner within  
 125.5 five years after the date of assessment of the tax, or if a lien has been filed, during the  
 125.6 period the lien is enforceable, or if the tax judgment has been filed, within the statutory  
 125.7 period of enforcement of a valid tax judgment, by a levy upon all property and rights  
 125.8 to property, including any property in the possession of law enforcement officials, of  
 125.9 the person liable for the payment or collection of such tax ~~(except that which is exempt~~  
 125.10 ~~from execution pursuant to section 550.37)~~ or property on which there is a lien provided  
 125.11 in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs,  
 125.12 properly payable.

125.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

125.14 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a  
 125.15 subdivision to read:

125.16 Subd. 1a. **Exempt property.** A levy under this section is not enforceable against:

125.17 (1) a purchaser with respect to tangible personal property purchased at retail in  
 125.18 the ordinary course of the seller's trade or business, unless at the time of purchase the  
 125.19 purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat  
 125.20 the collection of a tax; or

125.21 (2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.

125.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

125.23 Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

125.24 **271.12 WHEN ORDER EFFECTIVE.**

125.25 No order for refundment by the commissioner of revenue, the appropriate unit of  
 125.26 government, or the Tax Court shall take effect until the time for appeal therefrom or  
 125.27 review thereof by all parties entitled thereto has expired. Otherwise every order of the  
 125.28 commissioner, the appropriate unit of government, or the Tax Court shall take effect  
 125.29 immediately upon the filing thereof, and no appeal therefrom or review thereof shall  
 125.30 stay the execution thereof or extend the time for payment of any tax or other obligation  
 125.31 unless otherwise expressly provided by law; provided, that in case an order which has  
 125.32 been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal,  
 125.33 the determination upon appeal or review shall supersede the order appealed from and be

binding upon all parties affected thereby, and such adjustments as may be necessary to give effect thereto shall be made accordingly; and provided further, the Tax Court may enjoin enforcement of the order of the commissioner being appealed. If it be finally determined upon such appeal or review that any person is entitled to refundment of any amount which has been paid for a tax or other obligation, such amount, unless otherwise provided by law, shall be paid to the person by the commissioner of finance, or other proper officer, out of funds derived from taxes of the same kind, if available for the purpose, or out of other available funds, if any, with interest at the rate specified in section 270C.405 from the date of payment of the tax, unless a different rate or date of accrual of interest is otherwise provided by law, in which case such other rate or date of accrual shall apply, upon certification by the commissioner of revenue, the appropriate unit of government, the Tax Court or the Supreme Court.

If, within 120 days after a decision of the Tax Court becomes final, the commissioner does not refund the overpayment determined by the court, together with interest, on motion by the taxpayer, the Tax Court shall have jurisdiction to order the refund of the overpayment and interest, and to award reasonable litigation costs for bringing the motion. If any tax, assessment, or other obligation be increased upon such appeal or review, the increase shall be added to the original amount, and may be enforced and collected therewith.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2005 Supplement, section 289A.121, subdivision 5, is amended to read:

**Subd. 5. Reportable transactions.** (a) For each taxable year in which a taxpayer must make a return or a statement under Code of Federal Regulations, title 26, section 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer participated in a taxable year for which a return is required under chapter 290, the taxpayer must file a copy of the disclosure with the commissioner.

(b) Any taxpayer that is a member of a unitary business group that includes any person that must make a disclosure statement under Code of Federal Regulations, title 26, section 1.6011-4, must file a disclosure under this subdivision.

(c) Disclosure under this subdivision is required for any transaction entered into after December 31, 2001, that the Internal Revenue Service determines is a listed transaction at any time, and must be made in the manner prescribed by the commissioner. For transactions in which the taxpayer participated for taxable years ending before December 31, 2005, disclosure must be made by the extended due date of the first return required



127.1 under chapter 290 that occurs 60 days or more after July 14, 2005. With respect to  
127.2 transactions in which the taxpayer participated for taxable years ending on and after  
127.3 December 31, 2005, disclosure must be made in the time and manner prescribed in Code  
127.4 of Federal Regulations, title 26, section 1.6011-4(e).

127.5 (d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions  
127.6 entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer  
127.7 has filed an amended income tax return which reverses the tax benefits of the tax  
127.8 shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has  
127.9 determined the tax treatment of the transaction and an amended return has been filed  
127.10 to reflect the federal treatment.

127.11 **EFFECTIVE DATE.** This section is effective for disclosures of reportable  
127.12 transactions in which the taxpayer participated for taxable years ending before December  
127.13 31, 2005.

127.14 Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

127.15 Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals  
127.16 is not subject to allocation outside this state. The allocation rules apply to nonresident  
127.17 individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders  
127.18 of corporations treated as "S" corporations under section 290.9725, and all corporations  
127.19 not having such an election in effect. If a partnership or corporation would not otherwise  
127.20 be subject to the allocation rules, but conducts a trade or business that is part of a  
127.21 unitary business involving another legal entity that is subject to the allocation rules, the  
127.22 partnership or corporation is subject to the allocation rules.

127.23 (b) Expenses, losses, and other deductions (referred to collectively in this paragraph  
127.24 as "deductions") must be allocated along with the item or class of gross income to which  
127.25 they are definitely related for purposes of assignment under this section or apportionment  
127.26 under section 290.191, 290.20, or 290.36. Deductions ~~not~~ definitely related to any item  
127.27 ~~or class of gross income are assigned~~ under subdivision 2, paragraph (e), are assigned to  
127.28 the taxpayer's domicile.

127.29 (c) In the case of an individual who is a resident for only part of a taxable year,  
127.30 the individual's income, gains, losses, and deductions from the distributive share of a  
127.31 partnership, S corporation, trust, or estate are not subject to allocation outside this state  
127.32 to the extent of the distributive share multiplied by a ratio, the numerator of which is  
127.33 the number of days the individual was a resident of this state during the tax year of the  
127.34 partnership, S corporation, trust, or estate, and the denominator of which is the number of  
127.35 days in the taxable year of the partnership, S corporation, trust, or estate.

128.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

128.2 **ARTICLE 10**

128.3 **PUBLIC FINANCE**

128.4 Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to  
128.5 read:

128.6 Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the  
128.7 definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold~~  
128.8 ~~in accordance with section~~ according to sections 475.56 and 475.60.

128.9 Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

128.10 Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to  
128.11 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever  
128.12 is less, if financed or guaranteed by the United States Department of Agriculture, and bear  
128.13 such rate or rates of interest not exceeding eight percent per annum, payable annually or  
128.14 semiannually as the county board shall by resolution determine. The years and amounts  
128.15 of principal maturities shall be such as in the opinion of the county board are warranted  
128.16 by the anticipated collections of the water and sewer improvement assessments without  
128.17 regard to any limitations on such maturities imposed by section 475.54.

128.18 Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

128.19 Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or  
128.20 more may in accordance with chapter 475, except as otherwise provided herein, issue and  
128.21 sell its obligations for the purpose of establishing, locating, relocating, constructing,  
128.22 reconstructing, and improving municipal state-aid streets therein. In the resolution  
128.23 providing for the issuance of the obligations, the governing body of the municipality  
128.24 shall irrevocably pledge and appropriate to the sinking fund from which the obligations  
128.25 are payable, an amount of the moneys allotted or to be allotted to the municipality from  
128.26 its account in the municipal state-aid street fund sufficient to pay the principal of and the  
128.27 interest on the obligations as they respectively come due. The obligations shall be issued  
128.28 in amounts and on terms such that the average annual amount of principal and interest due  
128.29 in all subsequent calendar years on the obligations, including any similar obligations of  
128.30 the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of  
128.31 ~~the last annual allotment preceding the bond issue received by the municipality from the~~  
128.32 ~~construction account in the municipal state-aid street fund; except that the municipality~~  
128.33 ~~may issue general obligation bonds for said purpose, to be purchased by it for the account~~

129.1 ~~of any one or more of its own funds, including debt redemption funds, in which case such~~  
 129.2 ~~bonds shall mature in not exceeding five years from their respective dates of issue, in~~  
 3 ~~principal amounts not exceeding in any calendar year, with the principal amount of all~~  
 129.4 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~  
 129.5 last annual allotment preceding the bond issue received by the municipality from the  
 129.6 construction account in the municipal state-aid street fund. All interest on the obligations  
 129.7 shall be paid out of the municipality's normal maintenance account in the municipal  
 129.8 state-aid street fund. Any such obligations may be made general obligations, but if  
 129.9 moneys of the municipality other than moneys received from the municipal state-aid street  
 129.10 fund, are used for payment of the obligations, the moneys so used shall be restored to the  
 129.11 appropriate fund from the moneys next received by the municipality from the construction  
 129.12 or maintenance account in the municipal state-aid street fund which are not required to be  
 129.13 paid into a sinking fund for obligations.

129.14 Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

129.15 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any  
 129.16 county may, in accordance with chapter 475, issue and sell its obligations, the total  
 129.17 amount thereof not to exceed the total of the preceding two years state-aid allotments,  
 129.18 for the purpose of establishing, locating, relocating, constructing, reconstructing, and  
 129.19 improving county state-aid highways and constructing buildings and other facilities for  
 129.20 maintaining county state-aid highways. In the resolution providing for the issuance of the  
 129.21 obligations, the county board of the county shall irrevocably pledge and appropriate to the  
 129.22 sinking fund from which the obligations are payable, an amount of the money allotted  
 129.23 or to be allotted to the county from its account in the county state-aid highway fund  
 129.24 sufficient to pay the principal of and the interest on the obligations as they respectively  
 129.25 come due. The obligations shall be issued in the amounts and on terms such that the  
 129.26 amount of principal and interest due in any calendar year on the obligations, including  
 129.27 any similar obligations of the county which are outstanding, shall not exceed 50 90  
 129.28 percent of the amount of the last annual allotment preceding the bond issue received  
 129.29 by the county from the construction account in the county state-aid highway fund. All  
 129.30 interest on the obligations shall be paid out of the county's normal maintenance account  
 129.31 in the county state-aid highway fund. The obligations may be made general obligations,  
 129.32 but if money of the county other than money received from the county state-aid highway  
 129.33 fund, is used for payment of the obligations, the money so used shall be restored to the  
 129.34 appropriate fund from the money next received by the county from the construction or

130.1 maintenance account in the county state-aid highway fund which is not required to be  
130.2 paid into a sinking fund for obligations.

130.3 Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

130.4 **273.032 MARKET VALUE DEFINITION.**

130.5 For the purpose of determining any property tax levy limitation based on market  
130.6 value, ~~any net debt limit based on market value, any limit on the issuance of bonds,~~  
130.7 ~~certificates of indebtedness, or capital notes based on market value,~~ any qualification  
130.8 to receive state aid based on market value, or any state aid amount based on market  
130.9 value, the terms "market value," "taxable market value," and "market valuation," whether  
130.10 equalized or unequalized, mean the total taxable market value of property within the local  
130.11 unit of government before any adjustments for tax increment, fiscal disparity, powerline  
130.12 credit, or wind energy values, but after the limited market adjustments under section  
130.13 273.11, subdivision 1a, and after the market value exclusions of certain improvements to  
130.14 homestead property under section 273.11, subdivision 16. Unless otherwise provided,  
130.15 "market value," "taxable market value," and "market valuation" for purposes of this  
130.16 paragraph, refer to the taxable market value for the previous assessment year.

130.17 For the purpose of determining any net debt limit based on market value, or any limit  
130.18 on the issuance of bonds, certificates of indebtedness, or capital notes based on market  
130.19 value, the terms "market value," "taxable market value," and "market valuation," whether  
130.20 equalized or unequalized, mean the total taxable market value of property within the local  
130.21 unit of government before any adjustments for tax increment, fiscal disparity, powerline  
130.22 credit, or wind energy values, but after the limited market adjustments under section  
130.23 273.11, subdivision 1a, and after the market value exclusions of certain improvements to  
130.24 homestead property under section 273.11, subdivision 16. Unless otherwise provided,  
130.25 "market value," "taxable market value," and "market valuation" for purposes of this  
130.26 paragraph, mean the taxable market value as last finally equalized.

130.27 Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

130.28 **365A.08 FINANCING.**

130.29 Upon adoption of the next annual budget following the creation of a subordinate  
130.30 service district the town board shall include in the budget appropriate provisions for the  
130.31 operation of the district including either a property tax levied only on property of the users  
130.32 of the service within the boundaries of the district or a levy of a service charge against the  
130.33 users of the service within the district, or a combination of a property tax and a service  
130.34 charge on the users of the service.

131.1 A tax or service charge or a combination of them may be imposed to finance a  
131.2 function or service in the district that the town ordinarily provides throughout the town  
131.3 only to the extent that there is an increase in the level of the function or service provided  
131.4 in the service district over that provided throughout the town. In that case, in addition  
131.5 to the townwide tax levy, an amount necessary to pay for the increase in the level of the  
131.6 function or service may be imposed in the district.

131.7 In the proceedings for establishment of a subordinate service district, the town may  
131.8 prepare a street reconstruction plan that describes the streets within the district to be  
131.9 reconstructed, the estimated costs, and any planned reconstruction of streets within the  
131.10 district over the next five years and may include the approval of the street reconstruction  
131.11 plan and the issuance of obligations for street reconstruction in the notice of public hearing  
131.12 for the public hearing required by section 365A.04, subdivision 2. The town board shall  
131.13 approve or disapprove the plan and the issuance of obligations in the resolution adopted  
131.14 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction  
131.15 obligations shall be subject to the provisions for reverse referendum contained in section  
131.16 365A.06. Following the creation of the subordinate service district and approval of the  
131.17 plan and the street reconstruction obligations and compliance with section 365A.06, the  
131.18 town may, without regard to the election requirement under section 475.58, subdivision 1,  
131.19 issue and sell general obligations for street reconstruction as defined in section 475.58,  
131.20 subdivision 3b. Obligations issued under this section are subject to the debt limit of the  
131.21 town and are not excluded from net debt under section 475.51, subdivision 4.

131.22 Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

131.23 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

131.24 Except when obligations are outstanding under section 365A.08, a petition signed by  
131.25 at least 75 percent of the property owners in the territory of the subordinate service district  
131.26 requesting the removal of the district may be presented to the town board. Within 30 days  
131.27 after the town board receives the petition, the town clerk shall determine the validity of the  
131.28 signatures on the petition. If the requisite number of signatures are certified as valid, the  
131.29 town board must hold a public hearing on the petitioned matter. Within 30 days after the  
131.30 end of the hearing, the town board must decide whether to discontinue the subordinate  
131.31 service district, continue as it is, or take some other action with respect to it.

131.32 Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

131.33 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have  
131.34 the meanings given.

132.1 (b) "Authority" means the Minnesota Public Facilities Authority.

132.2 (c) "Commissioner" means the commissioner of finance.

132.3 (d) "Debt obligation" means a general obligation bond issued by a county, a bond to  
 132.4 which the general obligation of a county is pledged under section 469.034, subdivision 2,  
 132.5 or a bond payable from a county lease obligation under section 641.24, to provide funds  
 132.6 for the construction of:

132.7 (1) jails;

132.8 (2) correctional facilities;

132.9 (3) law enforcement facilities;

132.10 (4) social services and human services facilities; ~~or~~

132.11 (5) solid waste facilities; or

132.12 (6) qualified housing development projects as defined in section 469.034, subdivision  
 132.13 2.

132.14 Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

132.15 **469.035 MANNER OF BOND ISSUANCE; SALE.**

132.16 Bonds of an authority shall be authorized by its resolution. They may be issued in  
 132.17 one or more series and shall bear the date or dates, mature at the time or times, bear interest  
 132.18 at the rate or rates, be in the denomination or denominations, be in the form either coupon  
 132.19 or registered, carry the conversion or registration privileges, have the rank or priority, be  
 132.20 executed in the manner, be payable in the medium of payment at the place or places, and  
 132.21 be subject to the terms of redemption with or without premium, as the resolution, its trust  
 132.22 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~  
 132.23 ~~less than par~~ in the manner and for the price that the authority determines to be in the best  
 132.24 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections  
 132.25 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving  
 132.26 the validity or enforceability of any bonds of an authority or the security for the bonds,  
 132.27 any bond reciting in substance that it has been issued by the authority to aid in financing a  
 132.28 project shall be conclusively deemed to have been issued for that purpose, and the project  
 132.29 shall be conclusively deemed to have been planned, located, and carried out in accordance  
 132.30 with the purposes and provisions of sections 469.001 to 469.047.

132.31 In cities of the first class, the governing body of the city must approve all notes  
 132.32 executed with the Minnesota Housing Finance Agency pursuant to this section if the  
 132.33 interest rate on the note exceeds seven percent.

132.34 Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

133.1 Subd. 2. **Form.** The bonds of each series issued by the authority under this section  
133.2 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years  
133.3 from the date of issuance, and shall be in the form, whether payable to bearer, registrable  
133.4 as to principal, or fully registrable, as determined by the authority. Section 469.102,  
133.5 subdivision 6, applies to all bonds issued under this section, and the bonds and their  
133.6 coupons, if any, when payable to bearer, shall be negotiable instruments.

133.7 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is  
133.8 amended to read:

133.9 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan  
133.10 money to finance expenditures under section 469.176, subdivision 4, from its general  
133.11 fund or any other fund under which it has legal authority to do so. The loan or advance  
133.12 must be authorized, by resolution of the governing body or of the authority, whichever  
133.13 has jurisdiction over the fund from which the advance or loan is made, before money  
133.14 is transferred, advanced, or spent, whichever is earliest. The resolution may generally  
133.15 grant to the authority the power to make interfund loans under one or more tax increment  
133.16 financing plans or for one or more districts. The terms and conditions for repayment of  
133.17 the loan must be provided in writing and include, at a minimum, the principal amount,  
133.18 the interest rate, and maximum term. The maximum rate of interest permitted to be  
133.19 charged is limited to the greater of the rates specified under section 270C.40 or 549.09  
133.20 as of the date or advance is made, unless the written agreement states that the maximum  
133.21 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09  
133.22 are from time to time adjusted.

133.23 Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision  
133.24 to read:

133.25 Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in  
133.26 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of  
133.27 indebtedness, bonds, or other obligations under this section in an amount not exceeding  
133.28 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master  
133.29 plan and transit capital improvement program and for related costs, including the costs of  
133.30 issuance and sale of the obligations.

133.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

134.1 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

134.2 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

134.3 The Minnesota Higher Education Services Office is exempt from the 120-day  
134.4 issuance requirements in this chapter and may carry forward allocations for student loan  
134.5 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice  
134.6 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~  
134.7 ~~is limited to \$25,000,000.~~

134.8 **EFFECTIVE DATE.** This section is effective for bond allocations made in 2006  
134.9 and thereafter.

134.10 Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is  
134.11 amended to read:

134.12 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this  
134.13 section if the maximum amount of principal and interest to become due in any year on  
134.14 all the outstanding bonds issued under this section, including the bonds to be issued,  
134.15 will equal or exceed (1) 0.16 percent of the taxable market value of property in the  
134.16 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be  
134.17 made using the taxable market value for the taxes payable year in which the obligations  
134.18 are issued and sold. In the case of a municipality with a population of 2,500 or more, the  
134.19 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility  
134.20 in which more than one municipality participates, upon compliance by each participating  
134.21 municipality with the requirements of subdivision 2, the limitations in this subdivision and  
134.22 the net debt represented by the bonds shall be allocated to each participating municipality  
134.23 in proportion to its required financial contribution to the financing of the shared facility, as  
134.24 set forth in the joint powers agreement relating to the shared facility. This section does not  
134.25 limit the authority to issue bonds under any other special or general law.

134.26 Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to  
134.27 read:

134.28  
134.29 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of  
134.30 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range  
134.31 resources and rehabilitation ~~may~~ shall issue revenue bonds in a principal amount of  
134.32 \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series,  
134.33 and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be



135.1 used to pay costs of issuance and to make grants to school districts located in the taconite  
135.2 tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance  
135.3 area defined in Minnesota Statutes, section 273.1341, to be used by the school districts  
135.4 to pay for health, safety, and maintenance improvements but only if the school district  
135.5 has levied the maximum amount allowable under law for those purposes. The amounts of  
135.6 proceeds to be distributed to each district are as follows:

- 135.7 (1) Independent School District No. 511, Aitkin, \$600,000;  
135.8 (2) Independent School District No. 695, Chisholm, \$700,000;  
135.9 (3) Independent School District No. 166, Cook County, \$600,000;  
135.10 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;  
135.11 (5) Independent School District No. 696, Ely, \$600,000;  
135.12 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;  
135.13 (7) Independent School District No. 318, Grand Rapids, \$600,000;  
135.14 (8) Independent School District No. 316, Greenway, \$1,100,000;  
135.15 (9) Independent School District No. 701, Hibbing, \$2,100,000;  
135.16 (10) Independent School District No. 381, Lake Superior, \$600,000;  
135.17 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;  
135.18 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;  
135.19 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;  
135.20 (14) Independent School District No. 2142, St. Louis County, \$600,000; and  
135.21 (15) Independent School District No. 706, Virginia, \$900,000.  
135.22

135.23 **Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.**

135.24 The Carver County Housing and Redevelopment Authority created under Laws  
135.25 1980, chapter 482, is renamed the Carver County Community Development Agency.

135.26 **Sec. 17. CITY OF WINSTED; BONDING AUTHORITY.**

135.27 (a) The city of Winsted may issue general obligation bonds under Minnesota  
135.28 Statutes, chapter 475, to finance the acquisition and betterment of a public works facility  
135.29 and a facility consisting of a city hall, community center and police station, including  
135.30 landscaping.

135.31 (b) The bonds may be issued as general obligations of the city without an election to  
135.32 approve the bonds under Minnesota Statutes, section 475.58.

135.33 (c) The bonds are not included in computing any debt limitation applicable to the  
135.34 city, including the net debt limits under Minnesota Statutes, section 475.53, and the levy

136.1 of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the  
136.2 bonds is not subject to any levy limitation.

136.3 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and  
136.4 betterment of the public works facility and the facility consisting of a city hall, community  
136.5 center and police station, including landscaping, may not exceed \$5,000,000, plus an  
136.6 amount equal to the costs related to issuance of the bonds and capitalized interest.

136.7 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
136.8 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

136.9 Sec. 18. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY**  
136.10 **PRIORITY.**

136.11 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph  
136.12 (b), prior to October 1, 2006, only the following applications shall be awarded allocations  
136.13 from the unified pool. Allocations shall be awarded in the following order of priority:

136.14 (1) applications for student loan bonds issued by or on behalf of the Office of  
136.15 Higher Education;

136.16 (2) applications for residential rental project bonds;

136.17 (3) applications for small issue bonds for manufacturing projects; and

136.18 (4) applications for small issue bonds for agricultural development bond loan  
136.19 projects.

136.20 **EFFECTIVE DATE.** This section is effective July 1, 2006.

136.21 Sec. 19. **UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

136.22 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph  
136.23 (c), on the first Monday in October 2006, through the last Monday in November 2006,  
136.24 allocations shall be awarded from the unified pool in the following order of priority:

136.25 (1) applications for mortgage bonds;

136.26 (2) applications for public facility projects funded by public facility bonds;

136.27 (3) applications for small issue bonds for manufacturing projects;

136.28 (4) applications for small issue bonds for agricultural development bond loan  
136.29 projects;

136.30 (5) applications for residential rental project bonds;

136.31 (6) applications for enterprise zone facility bonds;

136.32 (7) applications for governmental bonds; and

136.33 (8) applications for redevelopment bonds.

137.1 **EFFECTIVE DATE.** This section is effective July 1, 2006.

2 Sec. 20. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**  
137.3 **ALLOCATION.**

137.4 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),  
137.5 the total amount of allocations for student loan bonds from the unified pool in calendar  
137.6 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the  
137.7 last Monday in July, 2006.

137.8 **EFFECTIVE DATE.** This section is effective July 1, 2006.

137.9 Sec. 21. **CITY OF PENNOCK; ACQUIRE REAL ESTATE, EXPEND CITY**  
137.10 **FUNDS, AND CONVEY TO PRIVATE ENTITY.**

11 Subdivision 1. **Authorization.** The city of Pennock may purchase a parcel of real  
137.12 estate in the city consisting of four city lots and an appurtenant building formerly operated  
137.13 as a convenience store known as Phil's Corner on the terms and conditions that may be  
137.14 agreed upon between the city and the current owner of the parcel, and the city may expend  
137.15 city funds to make necessary improvements to the building. Once acquired and improved  
137.16 and in order to ensure the continued economic vitality of the city, the city may convey  
137.17 the parcel and building by sale or lease to a private person, firm, partnership, corporation  
137.18 or other entity for a nominal consideration or on whatever terms and conditions the  
137.19 city and the private entity may agree upon in order for the building to be operated as a  
137.20 commercial establishment.

137.21 Subd. 2. **Bonds.** The city of Pennock may issue general obligation bonds of the  
137.22 city in the aggregate principal amount not to exceed \$250,000 to finance the project  
137.23 authorized by subdivision 1. The bonds must be issued in compliance with Minnesota  
137.24 Statutes, chapter 475, except that a referendum under Minnesota Statutes, section 475.58,  
137.25 is not required. The debt represented by the bonds is not included in computing any debt  
137.26 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
137.27 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
137.28 limitation otherwise applicable to the city.

137.29 **EFFECTIVE DATE.** Under Minnesota Statutes 2004, section 645.023, subdivision  
137.30 1, paragraph (a), this section is effective without local approval on the day following  
137.31 final enactment.

137.32 Sec. 22. **APPLICATION.**

138.1 Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,  
138.2 Scott, and Washington.

138.3 **ARTICLE 11**  
138.4 **LOCAL DEVELOPMENT**

138.5 Section 1. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to  
138.6 read:

138.7 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
138.8 January 1, ~~2008~~ 2013.

138.9 Sec. 2. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

138.10 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
138.11 January 1, ~~2008~~ 2013.

138.12 Sec. 3. **[383C.558] ST. LOUIS COUNTY DEED AND MORTGAGE TAX.**

138.13 Subdivision 1. Authority to impose; rate. (a) The governing body of St. Louis  
138.14 County may impose a mortgage registry and deed tax.

138.15 (b) The rate of the mortgage registry tax equals .0001 of the principal.

138.16 (c) The rate of the deed tax equals .0001 of the amount.

138.17 Subd. 2. General law provisions apply. The taxes under this section apply to  
138.18 the same base and must be imposed, collected, administered, and enforced in the same  
138.19 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
138.20 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in  
138.21 subdivision 1, the term "St. Louis County" must be substituted for "the state," and the  
138.22 revenue must be deposited as provided in subdivision 3.

138.23 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of the  
138.24 St. Louis County Board of Commissioners and must be deposited in the county's  
138.25 environmental response fund under section 383C.559.

138.26 Subd. 4. Expiration. The authority to impose the tax under this section expires  
138.27 January 1, 2013.

138.28 Sec. 4. **[383C.559] ST. LOUIS COUNTY ENVIRONMENTAL RESPONSE**  
138.29 **FUND.**

138.30 Subdivision 1. Creation. An environmental response fund is created for the  
138.31 purposes specified in this section. The taxes imposed by section 383C.558 must be

139.1 deposited in the fund. The board of county commissioners shall administer the fund either  
 139.2 as a county board, a housing and redevelopment authority, or a regional rail authority.

3       Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
 139.4 following purposes:

139.5       (1) acquisition through purchase or condemnation of lands or property which are  
 139.6 polluted or contaminated with hazardous substances;

139.7       (2) paying the costs associated with indemnifying or holding harmless the  
 139.8 entity taking title to lands or property from any liability arising out of the ownership,  
 139.9 remediation, or use of the land or property;

139.10       (3) paying for the costs of remediating the acquired land or property;

139.11       (4) paying the costs associated with remediating lands or property which are polluted  
 139.12 or contaminated with hazardous substances; or

139.13       (5) paying for the costs associated with improving the property for economic  
 139.14 development, recreational, housing, transportation or rail traffic.

139.15       Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
 139.16 seek matching funds from contamination cleanup funds administered by the commissioner  
 139.17 of the Department of Employment and Economic Development, the federal government,  
 139.18 the private sector, and any other source.

139.19       Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
 139.20 section 383C.558 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

139.21       Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
 139.22 at fair market value. Proceeds from the sale of the land must be deposited in the  
 139.23 environmental response fund.

4       Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with  
 139.25 the county and any affected municipality by providing technical assistance and support in  
 139.26 cleaning up a contaminated site related to a trunk highway or railroad improvement.

139.27       Sec. 5. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

139.28       Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota  
 139.29 County may impose a mortgage registry and deed tax.

139.30       (b) The rate of the mortgage registry tax equals .0001 of the principal.

139.31       (c) The rate of the deed tax equals .0001 of the amount.

139.32       Subd. 2. **General law provisions apply.** The taxes under this section apply to  
 139.33 the same base and must be imposed, collected, administered, and enforced in the same  
 139.34 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
 139.35 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in

140.1 subdivision 1, the term "Dakota County" must be substituted for "the state," and the  
140.2 revenue must be deposited as provided in subdivision 3.

140.3 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of  
140.4 the Dakota County Board of Commissioners and must be deposited in the county's  
140.5 environmental response fund under section 383D.76.

140.6 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
140.7 January 1, 2013.

140.8 **Sec. 6. [383D.76] ENVIRONMENTAL RESPONSE FUND.**

140.9 Subdivision 1. **Creation.** An environmental response fund is created for the purposes  
140.10 specified in this section. The taxes imposed by section 383D.75 must be deposited in the  
140.11 fund. The Board of County Commissioners shall administer the fund either as a county  
140.12 board, a housing and redevelopment authority, or a regional rail authority.

140.13 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
140.14 following purposes:

140.15 (1) acquisition through purchase or condemnation of lands or property which are  
140.16 polluted or contaminated with hazardous substances;

140.17 (2) paying the costs associated with indemnifying or holding harmless the  
140.18 entity taking title to lands or property from any liability arising out of the ownership,  
140.19 remediation, or use of the land or property;

140.20 (3) paying for the costs of remediating the acquired land or property;

140.21 (4) paying the costs associated with remediating lands or property which are polluted  
140.22 or contaminated with hazardous substances; or

140.23 (5) paying for the costs associated with improving the property for economic  
140.24 development, recreational, housing, transportation or rail traffic.

140.25 Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
140.26 seek matching funds from contamination cleanup funds administered by the commissioner  
140.27 of the Department of Employment and Economic Development, the Metropolitan Council,  
140.28 the federal government, the private sector, and any other source.

140.29 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
140.30 section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

140.31 Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
140.32 at fair market value. Proceeds from the sale of the land must be deposited in the  
140.33 environmental response fund.

141.1 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with  
 141.2 the county and any affected municipality by providing technical assistance and support in  
 141.3 cleaning up a contaminated site related to a trunk highway or railroad improvement.

141.4 Sec. 7. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 2, is  
 141.5 amended to read:

141.6 Subd. 2. **Consultations; comment and filing.** (a) Before formation of a tax  
 141.7 increment financing district, the authority shall provide the county auditor and clerk of  
 141.8 the school board with the proposed tax increment financing plan for the district and the  
 141.9 authority's estimate of the fiscal and economic implications of the proposed tax increment  
 141.10 financing district. The authority must provide the proposed tax increment financing plan  
 141.11 and the information on the fiscal and economic implications of the plan to the county  
 141.12 auditor and the clerk of the school district board at least 30 days before the public hearing  
 141.13 required by subdivision 3. The information on the fiscal and economic implications may  
 141.14 be included in or as part of the tax increment financing plan. The county auditor and  
 141.15 clerk of the school board shall provide copies to the members of the boards, as directed  
 141.16 by their respective boards. The 30-day requirement is waived if the boards of the county  
 141.17 and school district submit written comments on the proposal and any modification of the  
 141.18 proposal to the authority after receipt of the information.

141.19 (b) For purposes of this subdivision, "fiscal and economic implications of the  
 141.20 proposed tax increment financing district" includes:

141.21 (1) an estimate of the total amount of tax increment that will be generated over the  
 141.22 life of the district;

141.23 (2) a description of the probable impact of the district on city-provided services such  
 141.24 as police and fire protection, public infrastructure, and ~~borrowing costs~~ the impact of  
 141.25 any general obligation tax increment bonds attributable to the district upon the ability to  
 141.26 issue other debt for general fund purposes;

141.27 (3) the estimated amount of tax increments over the life of the district that would  
 141.28 be attributable to school district levies, assuming the school district's share of the total  
 141.29 local tax rate for all taxing jurisdictions remained the same;

141.30 (4) the estimated amount of tax increments over the life of the district that would be  
 141.31 attributable to county levies, assuming the county's share of the total local tax rate for all  
 141.32 taxing jurisdictions remained the same; and

141.33 (5) ~~any~~ additional information regarding the size, timing, or type of development in  
 141.34 the district requested by the county or the school district that would enable it to determine  
 141.35 additional costs that will accrue to it due to the development proposed for the district.

142.1 If a county or school district has not adopted standard questions in a written policy on  
142.2 information requested for fiscal and economic implications, a county or school district  
142.3 must request additional information no later than 15 days after receipt of the tax increment  
142.4 financing plan and the request does not require an additional 30 days of notice before  
142.5 the public hearing.

142.6 **EFFECTIVE DATE.** This section is effective for proposed tax increment financing  
142.7 plans provided after June 30, 2006.

142.8 Sec. 8. Minnesota Statutes 2004, section 469.175, subdivision 4, is amended to read:

142.9 Subd. 4. **Modification of plan.** (a) A tax increment financing plan may be modified  
142.10 by an authority.

142.11 (b) The authority may make the following modifications only upon the notice and  
142.12 after the discussion, public hearing, and findings required for approval of the original plan:

142.13 (1) any reduction or enlargement of geographic area of the project or tax increment  
142.14 financing district that does not meet the requirements of paragraph (e);

142.15 (2) increase in amount of bonded indebtedness to be incurred;

142.16 (3) a determination to capitalize interest on the debt if that determination was not a  
142.17 part of the original plan, ~~or to increase or decrease the amount of interest on the debt to~~  
142.18 ~~be capitalized;~~

142.19 (4) increase in the portion of the captured net tax capacity to be retained by the  
142.20 authority;

142.21 (5) increase in the estimate of the cost of the project, including administrative  
142.22 expenses, that will be paid or financed with tax increment from the district; or

142.23 (6) designation of additional property to be acquired by the authority.

142.24 (c) If an authority changes the type of district to another type of district, this change  
142.25 is not a modification but requires the authority to follow the procedure set forth in sections  
142.26 469.174 to 469.179 for adoption of a new plan, including certification of the net tax  
142.27 capacity of the district by the county auditor.

142.28 (d) If a redevelopment district or a renewal and renovation district is enlarged,  
142.29 the reasons and supporting facts for the determination that the addition to the district  
142.30 meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2),  
142.31 or subdivision 10a, must be documented.

142.32 (e) The requirements of paragraph (b) do not apply if (1) the only modification is  
142.33 elimination of parcels from the project or district and (2)(A) the current net tax capacity  
142.34 of the parcels eliminated from the district equals or exceeds the net tax capacity of  
142.35 those parcels in the district's original net tax capacity or (B) the authority agrees that,



143.1 notwithstanding section 469.177, subdivision 1, the original net tax capacity will be  
143.2 reduced by no more than the current net tax capacity of the parcels eliminated from the  
143.3 district. The authority must notify the county auditor of any modification that reduces or  
143.4 enlarges the geographic area of a district or a project area.

143.5 (f) The geographic area of a tax increment financing district may be reduced, but  
143.6 shall not be enlarged after five years following the date of certification of the original net  
143.7 tax capacity by the county auditor or after August 1, 1984, for tax increment financing  
143.8 districts authorized prior to August 1, 1979.

143.9 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
143.10 the request for certification was made, and applies to plan amendments adopted after the  
143.11 day following final enactment.

143.12 Sec. 9. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 5, is  
143.13 amended to read:

143.14 Subd. 5. **Annual disclosure.** An annual statement showing for each district the  
143.15 information required to be reported under subdivision 6, paragraph (c), clauses (1), (2),  
143.16 (3), (11), (12), (18), and (19); the amounts of tax increment received and expended in the  
143.17 reporting period; and any additional information the authority deems necessary must be  
143.18 published in a newspaper of general circulation in the municipality that approved the  
143.19 tax increment financing plan. The annual statement must inform readers that additional  
143.20 information regarding each district may be obtained from the authority, and must explain  
143.21 how the additional information may be requested. The authority must publish the annual  
143.22 statement for a year no later than August 15 of the next year. The authority must identify  
143.23 the newspaper of general circulation in the municipality to which the annual statement has  
143.24 been or will be submitted for publication and provide a copy of the annual statement to the  
143.25 county board, the county auditor, ~~the school board~~, the state auditor, and, if the authority is  
143.26 other than the municipality, the governing body of the municipality on or before August  
143.27 1 of the year in which the statement must be published.

143.28 The disclosure requirements imposed by this subdivision apply to districts certified  
143.29 before, on, or after August 1, 1979.

143.30 **EFFECTIVE DATE.** This section is effective for disclosures required to be  
143.31 provided after June 30, 2006.

143.32 Sec. 10. Minnesota Statutes 2004, section 469.176, subdivision 1, is amended to read:

144.1           Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the  
144.2 limitations contained in subdivisions 1a to 1f, any tax increment financing district as to  
144.3 which bonds are outstanding, payment for which the tax increment and other revenues  
144.4 have been pledged, shall remain in existence at least as long as the bonds continue to be  
144.5 outstanding. The municipality may, at the time of approval of the initial tax increment  
144.6 financing plan, provide for a shorter maximum duration limit than specified in subdivisions  
144.7 1a to 1f. The specified limit applies in place of the otherwise applicable limit, unless the  
144.8 authority modifies the plan following the procedures under section 469.175, subdivision 4,  
144.9 paragraph (b).

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

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

144.18           **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
144.19 the request for certification was made, and applies to plan amendments adopted after the  
144.20 day following final enactment.

144.21           Sec. 11. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

144.22           Subd. 3. **Limitation on administrative expenses.** (a) For districts for which  
144.23 certification was requested before August 1, 1979, or after June 30, 1982 and before  
144.24 August 1, 2001, no tax increment shall be used to pay any administrative expenses for  
144.25 a project which exceed ten percent of the total estimated tax increment expenditures  
144.26 authorized by the tax increment financing plan or the total tax increment expenditures  
144.27 for the project, whichever is less.

144.28           (b) For districts for which certification was requested after July 31, 1979, and before  
144.29 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in  
144.30 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the  
144.31 total tax increment expenditures authorized by the tax increment financing plan or the total  
144.32 estimated tax increment expenditures for the district, whichever is less.

144.33           (c) For districts for which certification was requested after July 31, 2001, no tax  
144.34 increment may be used to pay any administrative expenses for a project which exceed  
144.35 ten percent of total estimated tax increment expenditures authorized by the tax increment

145.1 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,  
145.2 clause (1), from the district, whichever is less.

3        (d) No administrative expenses or consulting costs incurred before certification of a  
145.4 district may be paid from tax increments.

145.5        Sec. 12. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2,  
145.6 is amended to read:

145.7        Subd. 2. **Expenditures outside district.** (a) For each tax increment financing  
145.8 district, an amount equal to at least 75 percent of the total revenue derived from tax  
145.9 increments paid by properties in the district must be expended on activities in the district  
145.10 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities  
145.11 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.  
12 For districts, other than redevelopment districts for which the request for certification  
145.13 was made after June 30, 1995, the in-district percentage for purposes of the preceding  
145.14 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax  
145.15 increments paid by properties in the district may be expended, through a development fund  
145.16 or otherwise, on activities outside of the district but within the defined geographic area of  
145.17 the project except to pay, or secure payment of, debt service on credit enhanced bonds.  
145.18 For districts, other than redevelopment districts for which the request for certification was  
145.19 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is  
145.20 20 percent. The revenue derived from tax increments for the district that are expended on  
145.21 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before  
145.22 calculating the percentages that must be expended within and without the district.

23        (b) In the case of a housing district, a housing project, as defined in section 469.174,  
145.24 subdivision 11, is an activity in the district.

145.25        (c) All administrative expenses are for activities outside of the district, except that  
145.26 if the only expenses for activities outside of the district under this subdivision are for  
145.27 the purposes described in paragraph (d), administrative expenses will be considered as  
145.28 expenditures for activities in the district.

145.29        (d) The authority may elect, in the tax increment financing plan for the district,  
145.30 to increase by up to ten percentage points the permitted amount of expenditures for  
145.31 activities located outside the geographic area of the district under paragraph (a). As  
145.32 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted  
3 expenditures under paragraph (a), need not be made within the geographic area of the  
145.34 project. Expenditures that meet the requirements of this paragraph are legally permitted

146.1 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.

146.2 To qualify for the increase under this paragraph, the expenditures must:

146.3 (1) be used exclusively to assist housing that meets the requirement for a qualified  
146.4 low-income building, as that term is used in section 42 of the Internal Revenue Code;

146.5 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of  
146.6 the Internal Revenue Code, less the amount of any credit allowed under section 42 of  
146.7 the Internal Revenue Code; and

146.8 (3) be used to:

146.9 (i) acquire and prepare the site of the housing;

146.10 (ii) acquire, construct, or rehabilitate the housing; or

146.11 (iii) make public improvements directly related to the housing.

146.12 (e) For a district created within a biotechnology and health sciences industry zone

146.13 as defined in section 469.330, subdivision 6, or for an existing district located within

146.14 such a zone, tax increment derived from such a district may be expended outside of

146.15 the district but within the zone only for expenditures required for the construction of

146.16 public infrastructure necessary to support the activities of the zone. Public infrastructure

146.17 expenditures are considered as expenditures for activities within the district.

146.18 Sec. 13. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

146.19 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered

146.20 to have been expended on an activity within the district under subdivision 2 only if one

146.21 of the following occurs:

146.22 (1) before or within five years after certification of the district, the revenues are  
146.23 actually paid to a third party with respect to the activity;

146.24 (2) bonds, the proceeds of which must be used to finance the activity, are issued and

146.25 sold to a third party before or within five years after certification, the revenues are spent

146.26 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,

146.27 reasonably expected to be spent before the end of the later of (i) the five-year period, or

146.28 (ii) a reasonable temporary period within the meaning of the use of that term under section

146.29 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve

146.30 or replacement fund;

146.31 (3) binding contracts with a third party are entered into for performance of the

146.32 activity before or within five years after certification of the district and the revenues are

146.33 spent under the contractual obligation;

147.1 (4) costs with respect to the activity are paid before or within five years after  
 147.2 certification of the district and the revenues are spent to reimburse a party for payment  
 147.3 of the costs, including interest on unreimbursed costs; or

147.4 (5) expenditures are made for housing purposes as permitted by subdivision 2,  
 147.5 ~~paragraph~~ paragraphs (b) and (d), or for public infrastructure purposes within a zone as  
 147.6 permitted by subdivision 2, paragraph (e).

147.7 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if  
 147.8 the original refunded bonds meet the requirements of paragraph (a), clause (2).

147.9 Sec. 14. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

147.10 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the  
 147.11 sixth year following certification of the district, if the applicable in-district percent of the  
 147.12 revenues derived from tax increments paid by properties in the district exceeds the amount  
 147.13 of expenditures that have been made for costs permitted under subdivision 3, an amount  
 147.14 equal to the difference between the in-district percent of the revenues derived from tax  
 147.15 increments paid by properties in the district and the amount of expenditures that have  
 147.16 been made for costs permitted under subdivision 3 must be used and only used to pay or  
 147.17 defease the following or be set aside to pay the following:

147.18 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

147.19 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~

147.20 (3) credit enhanced bonds to which the revenues derived from tax increments are  
 147.21 pledged, but only to the extent that revenues of the district for which the credit enhanced  
 147.22 bonds were issued are insufficient to pay the bonds and to the extent that the increments  
 147.23 from the applicable pooling percent share for the district are insufficient; or

147.24 (4) the amount provided by the tax increment financing plan to be paid under  
 147.25 subdivision 2, paragraphs (b), (d), and (e).

147.26 (b) The district must be decertified and the pledge of tax increment discharged  
 147.27 when the outstanding bonds have been defeased and when sufficient money has been set  
 147.28 aside to pay, based on the increment to be collected through the end of the calendar year,  
 147.29 the following amounts:

147.30 (1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and

147.31 (4), ~~the district must be decertified and the pledge of tax increment discharged;~~

147.32 (2) the amount specified in the tax increment financing plan for activities qualifying  
 147.33 under subdivision 2, paragraph (b), that have not been funded with the proceeds of  
 147.34 bonds; and

148.1       (3) the additional expenditures permitted by the tax increment financing plan for  
148.2 housing activities under an election under subdivision 2, paragraph (d), that have not  
148.3 been funded with the proceeds of bonds.

148.4       **EFFECTIVE DATE.** This section is effective for districts for which the request for  
148.5 certification was made after April 30, 1990.

148.6       Sec. 15. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 6,  
148.7 is amended to read:

148.8       Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to  
148.9 districts for which the request for certification was made before August 1, 2001, and  
148.10 without regard to whether the request for certification was made prior to August 1, 1979.

148.11       (b) The municipality for the district may transfer available increments from another  
148.12 tax increment financing district located in the municipality, if the transfer is necessary to  
148.13 eliminate a deficit in the district to which the increments are transferred. The municipality  
148.14 may transfer increments as provided by this subdivision without regard to whether the  
148.15 transfer or expenditure is authorized by the tax increment financing plan for the district  
148.16 from which the transfer is made. A deficit in the district for purposes of this subdivision  
148.17 means the lesser of the following two amounts:

148.18       (1)(i) the amount due during the calendar year to pay preexisting obligations of  
148.19 the district; minus

148.20       (ii) the total increments collected or to be collected from properties located within  
148.21 the district that are available for the calendar year including amounts collected in prior  
148.22 years that are currently available; plus

148.23       (iii) total increments from properties located in other districts in the municipality  
148.24 including amounts collected in prior years that are available to be used to meet the  
148.25 district's obligations under this section, excluding this subdivision, or other provisions of  
148.26 law (but excluding a special tax under section 469.1791 and the grant program under Laws  
148.27 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

148.28       (2) the reduction in increments collected from properties located in the district for  
148.29 the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article  
148.30 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First  
148.31 Special Session chapter 5, or the elimination of the general education tax levy under  
148.32 Laws 2001, First Special Session chapter 5.

148.33       The authority may compute the deficit amount under clause (1) only (without regard  
148.34 to the limit under clause (2)) if the authority makes an irrevocable commitment, by  
148.35 resolution, to use increments from the district to which increments are to be transferred and

149.1 any transferred increments are only used to pay preexisting obligations and administrative  
149.2 expenses for the district that are required to be paid under section 469.176, subdivision  
149.3 4h, paragraph (a).

149.4 (c) A preexisting obligation means:

149.5 (1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a  
149.6 binding contract requiring the issuance of bonds entered into before July 1, 2001, and  
149.7 bonds issued to refund such bonds or to reimburse expenditures made in conjunction with  
149.8 a signed contractual agreement entered into before August 1, 2001, to the extent that the  
149.9 bonds are secured by a pledge of increments from the tax increment financing district; and

149.10 (2) binding contracts entered into before August 1, 2001, to the extent that the  
149.11 contracts require payments secured by a pledge of increments from the tax increment  
149.12 financing district.

149.13 (d) The municipality may require a development authority, other than a seaway port  
149.14 authority, to transfer available increments including amounts collected in prior years that  
149.15 are currently available for any of its tax increment financing districts in the municipality to  
149.16 make up an insufficiency in another district in the municipality, regardless of whether the  
149.17 district was established by the development authority or another development authority.  
149.18 This authority applies notwithstanding any law to the contrary, but applies only to a  
149.19 development authority that:

149.20 (1) was established by the municipality; or

149.21 (2) the governing body of which is appointed, in whole or part, by the municipality  
149.22 or an officer of the municipality or which consists, in whole or part, of members of  
149.23 the governing body of the municipality. The municipality may use this authority only  
149.24 after it has first used all available increments of the receiving development authority to  
149.25 eliminate the insufficiency and exercised any permitted action under section 469.1792,  
149.26 subdivision 3, for preexisting districts of the receiving development authority to eliminate  
149.27 the insufficiency.

149.28 (e) The authority under this subdivision to spend tax increments outside of the area  
149.29 of the district from which the tax increments were collected:

149.30 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c,  
149.31 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the  
149.32 other provisions of this section; and the percentage restrictions under subdivision 2 must  
149.33 be calculated after deducting increments spent under this subdivision from the total  
149.34 increments for the district; and

150.1 (2) applies notwithstanding the provisions of the Tax Increment Financing Act in  
150.2 effect for districts for which the request for certification was made before June 30, 1982,  
150.3 or any other law to the contrary.

150.4 (f) If a preexisting obligation requires the development authority to pay an amount  
150.5 that is limited to the increment from the district or a specific development within the  
150.6 district and if the obligation requires paying a higher amount to the extent that increments  
150.7 are available, the municipality may determine that the amount due under the preexisting  
150.8 obligation equals the higher amount and may authorize the transfer of increments  
150.9 under this subdivision to pay up to the higher amount. The existence of a guarantee of  
150.10 obligations by the individual or entity that would receive the payment under this paragraph  
150.11 is disregarded in the determination of eligibility to pool under this subdivision. The  
150.12 authority to transfer increments under this paragraph may only be used to the extent  
150.13 that the payment of all other preexisting obligations in the municipality due during the  
150.14 calendar year have been satisfied.

150.15 (g) For transfers of increments made in calendar year 2005 and later, the reduction in  
150.16 increments as a result of the elimination of the general education tax levy for purposes of  
150.17 paragraph (b), clause (2), for a taxes payable year equals the general education tax rate  
150.18 for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1,  
150.19 for taxes payable in 2001, multiplied by the captured tax capacity of the district for the  
150.20 current taxes payable year.

150.21 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
150.22 the request for certification was made, and applies retroactively to any transfer made  
150.23 under subdivision 6.

150.24 Sec. 16. Minnesota Statutes 2005 Supplement, section 469.177, subdivision 1, is  
150.25 amended to read:

150.26 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax  
150.27 increment financing plan, the auditor of any county in which the district is situated shall,  
150.28 upon request of the authority, certify the original net tax capacity of the tax increment  
150.29 financing district and that portion of the district overlying any subdistrict as described in  
150.30 the tax increment financing plan and shall certify in each year thereafter the amount by  
150.31 which the original net tax capacity has increased or decreased as a result of a change in tax  
150.32 exempt status of property within the district and any subdistrict, reduction or enlargement  
150.33 of the district or changes pursuant to subdivision 4.

150.34 (b) If the classification under section 273.13 of property located in a district changes  
150.35 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.

(c) 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 improvements are made to tax exempt property after ~~certification of the municipality~~ approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. 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 or as a result of tax forfeiture, 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.

(d) 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 market value is increased after approval of the plat under section 273.11, subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

(e) 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.

(f) 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.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

**EFFECTIVE DATE.** This section is effective for improvements made to tax exempt property made after June 30, 2006.

Sec. 17. Minnesota Statutes 2004, section 469.1771, subdivision 2a, is amended to read:

Subd. 2a. **Suspension of distribution of tax increment.** (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the ~~third Tuesday of November~~ first day of October of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

153.1 (b) Upon receiving written notice from the state auditor to hold the distribution of  
153.2 tax increment, the county auditor shall hold:

153.3 (1) ~~25~~ 100 percent of the amount of tax increment that otherwise would be  
153.4 distributed, if the distribution is made after the ~~third Friday in November~~ first day of  
153.5 October but during the year in which the disclosure or report was required to be made or  
153.6 submitted; or

153.7 (2) 100 percent of the amount of tax increment that otherwise would be distributed,  
153.8 if the distribution is made after December 31 of the year in which the disclosure or report  
153.9 was required to be made or submitted.

153.10 (c) Upon receiving the copy of the disclosure and all of the reports described in  
153.11 paragraph (a) with respect to a district regarding which the state auditor has mailed to the  
153.12 county auditor a written notice to hold distribution of tax increment, the state auditor shall  
153.13 mail to the county auditor a written notice lifting the hold and authorizing the county  
153.14 auditor to distribute to the authority or municipality any tax increment that the county  
153.15 auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice  
153.16 required by this paragraph within five working days after receiving the last outstanding  
153.17 item. The county auditor shall distribute the tax increment to the authority or municipality  
153.18 within 15 working days after receiving the written notice required by this paragraph.

153.19 (d) Notwithstanding any law to the contrary, any interest that accrues on tax  
153.20 increment while it is being held by the county auditor pursuant to paragraph (b) is not tax  
153.21 increment and may be retained by the county.

153.22 (e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision  
153.23 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered  
153.24 distributed to or received by the authority or municipality as of the time that it would have  
153.25 been distributed or received but for paragraph (b).

153.26 **EFFECTIVE DATE.** This section is effective for disclosures and reports required  
153.27 to be filed after December 30, 2006.

153.28 Sec. 18. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

153.29 Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The  
153.30 applicant may request a shorter duration. The commissioner may specify a shorter  
153.31 duration, regardless of the requested duration.

153.32 (b) The duration limit under this subdivision and the duration of the zone for  
153.33 purposes of allowance of tax incentives described in section 469.315 is extended by three  
153.34 calendar years for each parcel of property that meets the following requirements:

- 154.1           (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on  
154.2 the site that includes the parcel; and  
154.3           (2) the business subsidy agreement was executed after April 30, 2006.

154.4           **EFFECTIVE DATE.** This section is effective the day following final enactment.

154.5           Sec. 19. Minnesota Statutes 2004, section 475.58, subdivision 1, is amended to read:

154.6           Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or  
154.7 charter may be issued by any municipality upon obtaining the approval of a majority of  
154.8 the electors voting on the question of issuing the obligations, but an election shall not be  
154.9 required to authorize obligations issued:

154.10           (1) to pay any unpaid judgment against the municipality;

154.11           (2) for refunding obligations;

154.12           (3) for an improvement or improvement program, which obligation is payable  
154.13 wholly or partly from the proceeds of special assessments levied upon property specially  
154.14 benefited by the improvement or by an improvement within the improvement program, or  
154.15 ~~of taxes levied upon the increased value of property within a district for the development of~~  
154.16 ~~which the improvement is undertaken~~ from tax increments, as defined in section 469.174,  
154.17 subdivision 25, including obligations which are the general obligations of the municipality,  
154.18 if the municipality is entitled to reimbursement in whole or in part from the proceeds of  
154.19 such special assessments or ~~taxes~~ tax increments and not less than 20 percent of the cost of  
154.20 the improvement or the improvement program is to be assessed against benefited property  
154.21 or is to be paid from the proceeds of federal grant funds or a combination thereof, or is  
154.22 estimated to be received from ~~such taxes within the district~~ tax increments;

154.23           (4) payable wholly from the income of revenue producing conveniences;

154.24           (5) under the provisions of a home rule charter which permits the issuance of  
154.25 obligations of the municipality without election;

154.26           (6) under the provisions of a law which permits the issuance of obligations of a  
154.27 municipality without an election;

154.28           (7) to fund pension or retirement fund liabilities pursuant to section 475.52,  
154.29 subdivision 6;

154.30           (8) under a capital improvement plan under section 373.40; and

154.31           (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if  
154.32 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,  
154.33 subdivision 4g, paragraph (b).

154.34           **EFFECTIVE DATE.** This section is effective the day following final enactment.

155.1 Sec. 20. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to  
 155.2 read:

3

155.4 Subdivision 1. **Establishment.** The city of Brooklyn Park may establish an  
 155.5 economic development tax increment financing district in which ~~15 percent~~ all of the  
 155.6 revenue generated from tax increment in any year that is not expended pursuant to a  
 155.7 pledge given or encumbrance created before January 1, 2006, is deposited in the housing  
 155.8 development account of the authority and expended according to the tax increment  
 155.9 financing plan.

155.10 Sec. 21. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to  
 155.11 read:

12

155.13 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing  
 155.14 activities that will be assisted by the housing development account. Housing activities  
 155.15 may include rehabilitation, acquisition, demolition, and financing of new or existing  
 155.16 single family or multifamily housing. Housing activities listed in the plan need not be  
 155.17 located within the district or project area but must be activities that meet the requirements  
 155.18 of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761,  
 155.19 subdivision 2, for owner-occupied housing or 469.174, subdivision 29, clause (1), for  
 155.20 rental housing.

155.21 Sec. 22. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

22

155.23 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka  
County may impose a mortgage registry and deed tax.

155.24 (b) The rate of the mortgage registry tax equals .0001 of the principal.

155.25 (c) The rate of the deed tax equals .0001 of the amount.

155.26 Subd. 2. **General law provisions apply.** The taxes under this section apply to  
 155.27 the same base and must be imposed, collected, administered, and enforced in the same  
 155.28 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
 155.29 All the provisions of chapter 287 apply to these taxes, except the rate is as specified  
 155.30 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the  
 155.31 revenue must be deposited as provided in subdivision 3.

2

155.33 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka  
County Board of Commissioners and must be deposited in the county's environmental  
 155.34 response fund under section 15.

156.1        Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
156.2        January 1, 2013.

156.3        Sec. 23. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

156.4        Subdivision 1. **Creation.** An environmental response fund is created for the  
156.5        purposes specified in this section. The taxes imposed by section 14 must be deposited  
156.6        in the fund. The Board of County Commissioners shall administer the fund either as a  
156.7        county board, a housing and redevelopment authority, or a regional rail authority.

156.8        Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
156.9        following purposes:

156.10        (1) acquisition through purchase or condemnation of lands or property which are  
156.11        polluted or contaminated with hazardous substances;

156.12        (2) paying the costs associated with indemnifying or holding harmless the  
156.13        entity taking title to lands or property from any liability arising out of the ownership,  
156.14        remediation, or use of the land or property;

156.15        (3) paying for the costs of remediating the acquired land or property;

156.16        (4) paying the costs associated with remediating lands or property which are polluted  
156.17        or contaminated with hazardous substances; or

156.18        (5) paying for the costs associated with improving the property for economic  
156.19        development, recreation, housing, transportation, or rail traffic.

156.20        Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
156.21        seek matching funds from contamination cleanup funds administered by the commissioner  
156.22        of the Department of Employment and Economic Development, the Metropolitan Council,  
156.23        the federal government, the private sector, and any other source.

156.24        Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
156.25        section 14 to bonds issued under this section and Minnesota Statutes, chapters 398A,  
156.26        462, 469, and 475.

156.27        Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
156.28        at fair market value. Proceeds from the sale of the land must be deposited in the  
156.29        environmental response fund.

156.30        Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with  
156.31        the county and any affected municipality by providing technical assistance and support in  
156.32        cleaning up a contaminated site related to a trunk highway or railroad improvement.

156.33        Sec. 24. **CITY OF BROOKLYN PARK TAX INCREMENT FINANCING**  
156.34        **DISTRICT EXTENSION.**

157.1 Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other  
157.2 law to the contrary, the duration limit that applies to the economic development tax  
157.3 increment financing district established under Laws 1994, chapter 587, article 9, section  
157.4 20, is extended to December 31, 2020.

157.5 **Sec. 25. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT**  
157.6 **FINANCING.**

157.7 Subdivision 1. **Definitions.** (a) For the purposes of this section, the words and  
157.8 phrases defined have the meanings given them in this subdivision.

157.9 (b) "Project area" means the area in the city bounded on the south, southeast, and  
157.10 southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east  
157.11 by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest  
157.12 by the Minnesota River; and on the west by the westerly corporate limits of the city;  
157.13 together with a single parcel to the east of said Interstate Highway I-35W described as the  
157.14 North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24  
157.15 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that  
157.16 the project area includes the rights-of-way for all present and future highway interchanges  
157.17 abutting the area described in this paragraph.

157.18 (c) "Soils deficiency district" means a type of tax increment financing district  
157.19 consisting of a portion of the project area in which the city finds by resolution that the  
157.20 following conditions exist:

157.21 (1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district  
157.22 require substantial filling, grading, or other physical preparation for use;

157.23 (2) the estimated cost of the physical preparation under clause (1), but excluding  
157.24 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local  
157.25 improvement as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses  
157.26 (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before  
157.27 completion of the preparation.

157.28 Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment  
157.29 financing plan for a district, the rules under this section apply to a redevelopment district,  
157.30 renewal and renovation district, soils condition district, or soils deficiency district  
157.31 established by the city of Burnsville or a development authority of the city in the project  
157.32 area.

157.33 (b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3  
157.34 and 4, is extended to ten years for any district.

158.1 (c) The limitations on spending tax increment outside of the district under Minnesota  
158.2 Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be  
158.3 expended on improvements or activities within the project area.

158.4 (d) In the case of a soil deficiency district:

158.5 (1) increments may be collected through 20 years after the receipt by the authority of  
158.6 the first increment from the district; and

158.7 (2) except as otherwise provided in this subdivision, increments may be used only  
158.8 to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii)  
158.9 pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost  
158.10 of installing public improvements directly caused by the deficiencies; and (iii) pay for the  
158.11 administrative expenses of the authority allocable to the district.

158.12 (e) Increments spent for any infrastructure costs (whether inside a district or outside  
158.13 a district but within the project area) are deemed to satisfy the requirements of paragraph  
158.14 (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

158.15 (f) The authority to approve tax increment financing plans to establish tax increment  
158.16 financing districts under this section expires December 31, 2026.

158.17 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
158.18 Statutes, section 645.021, subdivision 3.

158.19 **Sec. 26. BURNSVILLE; HEART OF THE CITY TAX INCREMENT**  
158.20 **FINANCING DISTRICT.**

158.21 Notwithstanding any contrary provision of law, the five-year rule under Minnesota  
158.22 Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment  
158.23 derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax  
158.24 increment financing District No. 6 established by the city and its economic development  
158.25 authority on April 15, 2002.

158.26 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
158.27 Statutes, section 645.021, subdivision 3.

158.28 **Sec. 27. CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT**  
158.29 **FINANCING DISTRICT.**

158.30 Subdivision 1. **Authorization.** At the election of the governing body of the city of  
158.31 Detroit Lakes, upon adoption of the tax increment financing plan for the district described  
158.32 in this section, the rules provided under this section apply to each such district.



159.1        Subd. 2. **Definition.** In this section, "district" means a redevelopment district  
159.2 established by the city of Detroit Lakes or the Detroit Lakes Development Authority  
159.3 within the following area:

159.4        Beginning at the intersection of Washington Avenue and the Burlington Northern  
159.5 Santa Fe railroad then east to the intersection of Roosevelt Avenue then south to the  
159.6 intersection of Highway 10/Frazee Street then west to the intersection of Frazee Street and  
159.7 the alley that parallels Washington Avenue then north to the point of beginning.

159.8        More than one district may be created under this section.

159.9        Subd. 3. **Qualification as redevelopment district; special rules.** The district shall  
159.10 be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All  
159.11 buildings that are removed to facilitate the Highway 10 Realignment Project are deemed  
159.12 to be "structurally substandard." The three-year limit after demolition of the buildings to  
159.13 request tax increment financing certification provided in Minnesota Statutes, section  
159.14 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

159.15        Subd. 4. **Expiration.** The authority to approve tax increment financing plans to  
159.16 establish a tax increment financing redevelopment district subject to this section expires  
159.17 on December 31, 2014.

159.18        Subd. 5. **Effective date.** This section is effective upon approval of the governing  
159.19 body of the city of Detroit Lakes and compliance with Minnesota Statutes, section  
159.20 645.021, subdivision 3.

159.21        Sec. 28. **CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX**  
159.22 **INCREMENT FINANCING DISTRICTS.**

159.23        Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota  
159.24 Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco  
159.25 are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to  
159.26 469.1799, as long as they do not exceed the population limit in that section.

159.27        Subd. 2. **Local approval.** This section is effective for each of the cities of Elgin,  
159.28 Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance  
159.29 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

159.30        Sec. 29. **CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX**  
159.31 **INCREMENT DISTRICT.**

159.32        Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

159.33        (b) "Homeless assistance tax increment district" means a contiguous area of the  
159.34 city that:

160.1 (1) is no larger than six acres;  
160.2 (2) is located within the boundaries of a city municipal development district; and  
160.3 (3) contains at least two shelters for homeless persons that have been owned or  
160.4 operated by nonprofit corporations that (i) are qualified charitable organizations under  
160.5 section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such  
160.6 homeless facilities within the district for at least five years, and (iii) have been recipients  
160.7 of emergency services grants under Minnesota Statutes, section 256E.36.

160.8 Subd. 2. **Establishment of tax increment district.** The city may create one  
160.9 homeless assistance tax increment district. To establish the homeless assistance tax  
160.10 increment district, the city shall adopt a homeless assistance tax increment plan and  
160.11 otherwise comply with the requirements of Minnesota Statutes, section 469.175, except  
160.12 that the determinations required in Minnesota Statutes, section 469.175, subdivision 3,  
160.13 paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

160.14 Subd. 3. **Application of tax increment law.** Minnesota Statutes, sections 469.174  
160.15 to 469.179, shall apply to the administration of the district, except:

160.16 (1) as this section provides otherwise; and  
160.17 (2) with respect to the portion of the increment to be expended for homeless shelter  
160.18 and services pursuant to subdivision 5, paragraph (b):

160.19 (i) the use for which tax increment that may be expended is as provided by  
160.20 subdivision 5; and

160.21 (ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

160.22 Subd. 4. **Duration limitation.** No tax increment generated by the district shall  
160.23 be paid to the city after the expiration of 25 years from the receipt by the city of the  
160.24 first increment from that district.

160.25 Subd. 5. **Limitations on use of increment.** (a) All increment received by the city  
160.26 from the district shall be used in accordance with the homeless assistance tax increment  
160.27 district plan.

160.28 (b) No less than 40 percent of the increment, after deduction of allowable  
160.29 administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall  
160.30 be used to provide emergency shelter and services for homeless persons within and  
160.31 outside the district.

160.32 (c) The remainder of the tax increment derived from the district shall be used for  
160.33 purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.

160.34 Subd. 6. **Applicability of other laws.** References in Minnesota Statutes to tax  
160.35 increment financing districts created and tax increment generated under Minnesota

161.1 Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax  
161.2 increment subject to this section.

161.3 **EFFECTIVE DATE.** This section is effective upon compliance by the city of  
161.4 Minneapolis with Minnesota Statutes, section 645.021.

161.5 Sec. 30. **CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;**  
161.6 **EXPENDITURES OUTSIDE DISTRICT.**

161.7 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision  
161.8 2, the city of New Brighton may expend tax increments from District No. 26 for eligible  
161.9 activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax  
161.10 Increment District No. 26, but only within the area described in Laws 1998, chapter 389,  
161.11 article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3,  
161.12 and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures  
161.13 permitted in this section.

161.14 **EFFECTIVE DATE.** This section is effective upon approval by the governing body  
161.15 of the city of New Brighton and compliance with Minnesota Statutes, section 645.021,  
161.16 subdivision 3.

161.17 Sec. 31. **CITY OF RAMSEY; TAX INCREMENT FINANCING.**

161.18 Subdivision 1. **Authority.** The governing body of the city of Ramsey or a  
161.19 development authority established by the city may create a tax increment financing  
161.20 district, consisting of the property defined as outlot L, Ramsey Town Center Addition and  
161.21 lot 2, block 1, Ramsey Town Center Addition.

161.22 Subd. 2. **Special rules.** Establishment of the district is subject to the requirements  
161.23 of Minnesota Statutes, sections 469.174 to 469.1799, with the following exceptions:

161.24 (1) the district is deemed to be a redevelopment district without regard to the  
161.25 requirements of Minnesota Statutes, section 469.174, subdivision 10;

161.26 (2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not  
161.27 apply to the district;

161.28 (3) housing receiving assistance, directly or indirectly, from the expenditures of  
161.29 the district's increments must meet the requirements of Minnesota Statutes, sections  
161.30 469.174, subdivision 11, and 469.1761;

161.31 (4) the district's increments must be used only to pay for costs related to the Sunwood  
161.32 on Grand project, including land acquisition, public infrastructure, parking ramps, and

162.1 administrative expenses, whether paid directly to reimburse for payment of those costs or  
162.2 to repay bonds or other obligations issued and sold to pay those costs initially; and  
162.3 (5) general obligations bonds issued to pay for costs related to the project subject  
162.4 to this section are not subject to the net debt limit of the city under Minnesota Statutes,  
162.5 section 475.53, or any other law or charter provision.

162.6 **EFFECTIVE DATE.** This section is effective upon local approval by the governing  
162.7 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,  
162.8 section 645.021.

162.9 Sec. 32. **CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.**

162.10 Subdivision 1. **Establishment of district.** The city of St. Michael may establish  
162.11 a redevelopment tax increment financing district subject to Minnesota Statutes, sections  
162.12 469.174 to 469.179, except as provided in this section. The district must be established  
162.13 within an area that includes the downtown and town center areas as designated by the city  
162.14 as well as all parcels adjacent to marked Trunk Highway 241 within the city.

162.15 Subd. 2. **Special rules.** (a) Notwithstanding the requirements of Minnesota  
162.16 Statutes, section 469.174, subdivision 10, the district may be established and operated as  
162.17 a redevelopment district.

162.18 (b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176,  
162.19 subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments  
162.20 from the district created under this section may be used to meet the cost of land  
162.21 acquisition, removal of buildings in the right-of-way acquisition area, and other costs  
162.22 incurred by the city of St. Michael in the expansion and improvement of marked Trunk  
162.23 Highway 241 within the city.

162.24 (c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

162.25 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
162.26 the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

162.27 Sec. 33. **QUALIFIED BUSINESS; SMALL DECLINING POPULATION**  
162.28 **COUNTY.**

162.29 Notwithstanding Minnesota Statutes, section 469.310, subdivision 11, paragraph  
162.30 (f), a qualified business for purposes of Minnesota Statutes, section 469.310, subdivision  
162.31 11, includes a food service business if the business is located solely in a qualified county,  
162.32 and if the business began operations in January 2004, with employment of between 15  
162.33 and 20 part-time and full-time employees. For the purpose of this section, a "qualified

163.1 county" is a county having an estimated population of less than 5,000 in 2004 and that  
163.2 experienced a reduction in population of at least 7.5 percent between 2000 and 2004,  
3 according to the state demographer.

163.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

163.5 Sec. 34. **REPEALER.**

163.6 (a) Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

163.7 (b) Laws 1996, chapter 464, article 1, section 8, subdivision 5, is repealed.

163.8 Sec. 35. **REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX**  
163.9 **INCREMENTS.**

163.10 Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax  
11 increments derived from tax increment financing district no. 2-1 as of the effective date  
163.12 of this act must be returned to the county for distribution in accordance with Minnesota  
163.13 Statutes, section 469.176, subdivision 2.

163.14 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
163.15 Statutes, section 645.021, subdivision 3.

163.16 **ARTICLE 12**  
163.17 **AIDS AND CREDITS**

163.18 Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36,  
163.19 is amended to read:

163.20 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,  
163.21 "city aid base" is zero.

163.22 (b) The city aid base for any city with a population less than 500 is increased by  
163.23 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount  
163.24 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
163.25 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

163.26 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;  
163.27 (ii) the city portion of the tax capacity rate exceeds 100 percent; and  
163.28 (iii) its city aid base is less than \$60 per capita.

163.29 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and  
163.30 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
163.31 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

163.32 (i) the city has a population in 1994 of 2,500 or more;

- 164.1 (ii) the city is located in a county, outside of the metropolitan area, which contains a  
164.2 city of the first class;
- 164.3 (iii) the city's net tax capacity used in calculating its 1996 aid under section  
164.4 477A.013 is less than \$400 per capita; and
- 164.5 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of  
164.6 property located in the city is classified as railroad property.
- 164.7 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and  
164.8 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
164.9 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:
- 164.10 (i) the city was incorporated as a statutory city after December 1, 1993;
- 164.11 (ii) its city aid base does not exceed \$5,600; and
- 164.12 (iii) the city had a population in 1996 of 5,000 or more.
- 164.13 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the  
164.14 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
164.15 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:
- 164.16 (i) the city had a population in 1996 of at least 50,000;
- 164.17 (ii) its population had increased by at least 40 percent in the ten-year period ending  
164.18 in 1996; and
- 164.19 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.
- 164.20 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and  
164.21 thereafter, and the maximum amount of total aid it may receive under section 477A.013,  
164.22 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,  
164.23 provided that:
- 164.24 (1) the city has a population that is greater than 1,000 and less than 2,500;
- 164.25 (2) its commercial and industrial percentage for aids payable in 1999 is greater  
164.26 than 45 percent; and
- 164.27 (3) the total market value of all commercial and industrial property in the city  
164.28 for assessment year 1999 is at least 15 percent less than the total market value of all  
164.29 commercial and industrial property in the city for assessment year 1998.
- 164.30 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and  
164.31 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
164.32 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:
- 164.33 (1) the city had a population in 1997 of 2,500 or more;
- 164.34 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
164.35 477A.013 is less than \$650 per capita;

165.1 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under  
165.2 section 477A.013 is greater than 12 percent;

165.3 (4) the 1999 local government aid of the city under section 477A.013 is less than  
165.4 20 percent of the amount that the formula aid of the city would have been if the need  
165.5 increase percentage was 100 percent; and

165.6 (5) the city aid base of the city used in calculating aid under section 477A.013  
165.7 is less than \$7 per capita.

165.8 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and  
165.9 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
165.10 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

165.11 (1) the city has a population in 1997 of 2,000 or more;

165.12 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
165.13 477A.013 is less than \$455 per capita;

165.14 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is  
165.15 greater than \$195 per capita; and

165.16 (4) the 1999 local government aid of the city under section 477A.013 is less than  
165.17 38 percent of the amount that the formula aid of the city would have been if the need  
165.18 increase percentage was 100 percent.

165.19 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and  
165.20 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
165.21 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

165.22 (1) the city has a population in 1998 that is greater than 200 but less than 500;

165.23 (2) the city's revenue need used in calculating aids payable in 2000 was greater  
165.24 than \$200 per capita;

165.25 (3) the city net tax capacity for the city used in calculating aids available in 2000  
165.26 was equal to or less than \$200 per capita;

165.27 (4) the city aid base of the city used in calculating aid under section 477A.013  
165.28 is less than \$65 per capita; and

165.29 (5) the city's formula aid for aids payable in 2000 was greater than zero.

165.30 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and  
165.31 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
165.32 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

165.33 (1) the city had a population in 1998 that is greater than 200 but less than 500;

165.34 (2) the city's commercial industrial percentage used in calculating aids payable in  
165.35 2000 was less than ten percent;

166.1 (3) more than 25 percent of the city's population was 60 years old or older according  
166.2 to the 1990 census;

166.3 (4) the city aid base of the city used in calculating aid under section 477A.013  
166.4 is less than \$15 per capita; and

166.5 (5) the city's formula aid for aids payable in 2000 was greater than zero.

166.6 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by  
166.7 an additional \$50,000 in calendar years 2002 to 2011, and by an additional \$89,000 in  
166.8 calendar years 2007 to 2011, and the maximum amount of total aid it may receive under  
166.9 section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar  
166.10 year 2001 only, and by \$50,000 in calendar year 2002 only, and by an additional \$89,000  
166.11 in calendar year 2007 only, provided that:

166.12 (1) the net tax capacity of the city used in calculating its 2000 aid under section  
166.13 477A.013 is less than \$810 per capita;

166.14 (2) the population of the city declined more than two percent between 1988 and 1998;

166.15 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is  
166.16 greater than \$240 per capita; and

166.17 (4) the city received less than \$36 per capita in aid under section 477A.013,  
166.18 subdivision 9, for aids payable in 2000.

166.19 (l) The city aid base for a city with a population of 10,000 or more which is located  
166.20 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the  
166.21 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
166.22 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to  
166.23 the lesser of:

166.24 (1)(i) the total population of the city, as determined by the United States Bureau of  
166.25 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

166.26 (2) \$2,500,000.

166.27 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the  
166.28 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
166.29 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

166.30 (1) the city is located in the seven-county metropolitan area;

166.31 (2) its population in 2000 is between 10,000 and 20,000; and

166.32 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,  
166.33 was greater than 25 percent.

166.34 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to  
166.35 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum  
166.36 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),



167.1 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000  
167.2 in calendar year 2007 only, provided that:

- 167.3 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;  
167.4 (2) its home county is located within the seven-county metropolitan area;  
167.5 (3) its pre-1940 housing percentage is less than 15 percent; and  
167.6 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900  
167.7 per capita.

167.8 (o) The city aid base for a city is increased by \$200,000 beginning in calendar  
167.9 year 2003 and the maximum amount of total aid it may receive under section 477A.013,  
167.10 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,  
167.11 provided that the city qualified for an increase in homestead and agricultural credit aid  
167.12 under Laws 1995, chapter 264, article 8, section 18.

167.13 (p) The city aid base for a city is increased by \$200,000 in 2004 only and the  
167.14 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is  
167.15 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear  
167.16 dry cask storage facility.

167.17 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the  
167.18 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
167.19 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster  
167.20 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by  
167.21 more than 40 percent between 1990 and 2000.

167.22 (r) The city aid base for a city is increased by \$25,000 in 2006 only and the  
167.23 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
167.24 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000  
167.25 and has a state park for which the city provides rescue services and which comprised at  
167.26 least 14 percent of the total geographic area included within the city boundaries in 2000.

167.27 (s) The city aid base for a city with a population less than 5,000 is increased in  
167.28 2006 and thereafter and the minimum and maximum amount of total aid it may receive  
167.29 under this section is also increased in calendar year 2006 only by an amount equal to  
167.30 \$6 multiplied by its population.

167.31 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

167.32 Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8, is  
167.33 amended to read:

167.34 Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the  
167.35 formula aid for a city is equal to the need increase percentage multiplied by the difference

168.1 between (1) the city's revenue need multiplied by its population, and (2) the sum of the  
 168.2 city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections  
 168.3 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant,  
 168.4 multiplied by the following percentages:

- 168.5 (i) zero percent for aids payable in 2004;
- 168.6 (ii) 25 percent for aids payable in 2005;
- 168.7 (iii) 50 percent for aids payable in 2006;
- 168.8 (iv) 75 percent for aids payable in 2007; and
- 168.9 (v) 100 percent for aids payable in 2008 and thereafter.

168.10 For purposes of this subdivision, "a city directly impacted by a taconite mine or  
 168.11 plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)  
 168.12 Silver Bay, or (7) Virginia.

168.13 No city may have a formula aid amount less than zero. The need increase percentage  
 168.14 must be the same for all cities.

168.15 The applicable need increase percentage ~~must be calculated by the Department of~~  
 168.16 ~~Revenue so that the total of the aid under subdivision 9 equals the total amount available~~  
 168.17 ~~for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4~~  
 168.18 ~~and 5 is 100 percent for aids payable in 2007 and thereafter.~~

168.19 Sec. 3. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

168.20 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each  
 168.21 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 168.22 subdivision 8, and (2) its city aid base.

168.23 (b) ~~The aid for a city in calendar year 2004 shall not exceed the amount of its aid in~~  
 168.24 ~~calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21,~~  
 168.25 ~~article 5.~~

168.26 (c) For aids payable in 2005 ~~and thereafter,~~ and 2006, the total aid for any city  
 168.27 shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the  
 168.28 aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and  
 168.29 thereafter, the total aid for any city with a population of 2,500 or more may not decrease  
 168.30 from its total aid under this section in the previous year by an amount greater than ten  
 168.31 percent of its net levy in the year prior to the aid distribution.

168.32 (d) ~~For aids payable in 2004 only, the total aid for a city with a population less than~~  
 168.33 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~  
 168.34 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~  
 168.35 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ (c) For aids payable in

169.1 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be  
169.2 less than the amount it was certified to receive in the previous year minus five percent  
169.3 of its 2003 certified aid amount.

169.4 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

169.5 Sec. 4. Minnesota Statutes 2004, section 477A.03, subdivision 2, is amended to read:

169.6 Subd. 2. **Annual appropriation.** (a) A sum sufficient to discharge the duties  
169.7 imposed by sections 477A.011 to 477A.014 is annually appropriated from the general  
169.8 fund to the commissioner of revenue.

169.9 (b) In fiscal year 2007, \$41,000,000 is appropriated from the general fund to the  
169.10 commissioner of revenue to be used for the purposes of paragraph (a) for distributions  
169.11 in calendar years 2007 and 2008. These amounts do not cancel, and remain available  
169.12 until expended.

169.13 Sec. 5. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is  
169.14 amended to read:

169.15 Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section  
169.16 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total  
169.17 aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids  
169.18 payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9,  
169.19 is limited to \$485,052,000, plus the amount of the payments provided in section 5.

169.20 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

169.21 Sec. 6. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to  
169.22 read:

169.23 **Sec. 5. 2005 ~~AND 2006~~ CITY AID PAYMENTS.**

169.24

169.25 In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under  
169.26 Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003  
169.27 reduction in market value credit reimbursements for that city due to Laws 2003, First  
169.28 Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value  
169.29 credit reimbursements are reduced to less than zero under this section. To the extent  
169.30 sufficient information is available on each payment date, the commissioner shall pay the  
169.31 annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under

170.1 this section, to cities in equal installments on the dates specified in Minnesota Statutes,  
170.2 section 273.1384.

170.3

170.4 Sec. 7. **ONETIME 2006 ADDITIONAL CITY AID.**

170.5 Subdivision 1. Computation. For aid payable in 2006 only, the aid payable to  
170.6 each city under Minnesota Statutes, section 477A.013, subdivision 9, is increased by the  
170.7 difference between the amount that would have been paid to the city under that provision  
170.8 and the amount that would be payable to the city if the aid were determined as follows:

170.9 (1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision  
170.10 34, must be multiplied by the ratio of the annual implicit price deflator for government  
170.11 consumption expenditures and gross investment for state and local governments as  
170.12 prepared by the United States Department of Commerce for 2004 to the 2002 implicit  
170.13 price deflator for state and local government purchases;

170.14 (2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must  
170.15 not be added to the city net tax capacity under Minnesota Statutes, section 477A.013,  
170.16 subdivision 8;

170.17 (3) the need increase percentage under Minnesota Statutes, section 477A.013,  
170.18 subdivision 8, shall be equal to 100 percent;

170.19 (4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that  
170.20 the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the  
170.21 previous year plus its total aid in the previous year shall not apply; and

170.22 (5) no city shall receive less aid than it was originally certified to receive for aids  
170.23 payable in 2006.

170.24 The aid payable under this section must be used by cities for debt reduction, pension  
170.25 funding, capital improvements, deferred maintenance, fee reduction, or to pay costs  
170.26 related to public safety.

170.27 Subd. 2. Appropriation; payment. The commissioner of revenue shall make the  
170.28 payments of the additional 2006 city aid in three installments on May 1, July 20, and  
170.29 December 26, 2006. An amount sufficient to pay the aid under this section is appropriated  
170.30 to the commissioner of revenue from the general fund.

170.31 **EFFECTIVE DATE.** This section is effective for aids payable in 2006.

170.32 Sec. 8. **COUNTY TARGETED CASE MANAGEMENT AID.**

170.33 Subdivision 1. Distribution. For 2006 and 2007 only, county targeted case  
170.34 management aid shall be allocated to counties based on each county's share of the state

171.1 total of children's social services and mental health services administered by the counties  
171.2 under the jurisdiction of the Minnesota Department of Human Services. The aid payable  
171.3 under this section must be used by counties to offset reductions in federal funding under  
171.4 the Deficit Reduction Act of 2005 for targeted case management.

171.5 Subd. 2. **Appropriation; payment.** For aids payable in 2006, the total aid under  
171.6 this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this  
171.7 section is limited to \$20,000,000. The commissioner of revenue shall make the payments  
171.8 of the county targeted case management aid in two installments on July 20 and December  
171.9 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid  
171.10 under this section is appropriated to the commissioner of revenue from the general fund.

171.11 **EFFECTIVE DATE.** This section is effective for aids payable in 2006 and 2007.

171.12 Sec. 9. **MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

171.13 \$600,000 is appropriated from the general fund to the commissioner of revenue to be  
171.14 used to make payments to Mahnomen County and the city of Mahnomen to compensate  
171.15 them for the loss of property tax revenue due to the placement of land located in the  
171.16 city of Mahnomen in trust status during calendar year 2006. The appropriation shall be  
171.17 reduced by the amount of any payment in lieu of tax received by Mahnomen County  
171.18 or the city of Mahnomen for the property placed in trust status. The payment shall be  
171.19 made on July 20, 2006.

171.20 Sec. 10. **COUNTY REFERENDUM COST REIMBURSEMENT;**  
171.21 **APPROPRIATION.**

171.22 If one or more bills are enacted during the 2006 session of the legislature that  
171.23 provides for a referendum in 2006 on a proposed constitutional amendment, \$122,000 is  
171.24 appropriated from the general fund to the commissioner of revenue to be distributed to  
171.25 the counties in proportion to each county's share of the state's registered voters. This is a  
171.26 onetime payment, to be paid on July 20, 2006, to compensate the counties for the cost of  
171.27 preparing ballots for the constitutional amendment or amendments.

171.28 Sec. 11. **LOCAL TRUNK HIGHWAY IMPROVEMENTS; APPROPRIATION.**

171.29 \$5,000,000 is appropriated from the general fund to the commissioner of  
171.30 transportation to be distributed, \$2,500,000 to the City of Nisswa and \$2,500,000 to the  
171.31 City of Pequot Lakes, to be used to pay the local share of trunk highway improvement  
171.32 projects. The advisory committee established under Minnesota Statutes, section 174.52,  
171.33 shall provide recommendations to the cities on the most efficient use of the funds provided.

## ARTICLE 13

## MINERALS

Section 1. Minnesota Statutes 2004, section 298.001, is amended by adding a subdivision to read:

Subd. 3a. **Producer.** "Producer" means a person engaged in the business of mining or producing iron ore, taconite concentrate, or direct reduced ore in this state.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2005.

Sec. 2. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 3, is amended to read:

**Subd. 3. Occupation tax; other ores.** Every person engaged in the business of mining or producing ores in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2005.

173.1 Sec. 3. Minnesota Statutes 2004, section 298.01, subdivision 3a, is amended to read:

173.2 Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income  
173.3 under subdivision 3, gross income is determined by the amount of gross proceeds from  
173.4 mining in this state under section 298.016 and includes any gain or loss recognized from  
173.5 the sale or disposition of assets used in the business in this state. If more than one mineral,  
173.6 metal, or energy resource referred to in section 298.016 is mined and processed at the  
173.7 same mine and plant, a gross income for each mineral, metal, or energy resource must be  
173.8 determined separately. The gross incomes may be combined on one occupation tax return  
173.9 to arrive at the gross income of all production.

173.10 (b) In applying section 290.191, subdivision 5, transfers of ores are deemed to be  
173.11 sales outside in this state ~~if the ores are transported out of this state after the ores have~~  
173.12 ~~been converted to a marketable quality.~~

173.13 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
173.14 December 31, 2005.

173.15 Sec. 4. Minnesota Statutes 2004, section 298.01, subdivision 3b, is amended to read:

173.16 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under  
173.17 subdivision 3, the deductions from gross income include only those expenses necessary  
173.18 to convert raw ores to marketable quality. Such expenses include costs associated with  
173.19 refinement but do not include expenses such as transportation, stockpiling, marketing, or  
173.20 marine insurance that are incurred after marketable ores are produced, unless the expenses  
173.21 are included in gross income. The allowable deductions from a mine or plant that mines  
173.22 and produces more than one mineral, metal, or energy resource must be determined  
173.23 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,  
173.24 clause (9). These deductions may be combined on one occupation tax return to arrive at  
173.25 the deduction from gross income for all production.

173.26 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,  
173.27 clauses (7) and (11), are not used to determine taxable income.

173.28 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
173.29 December 31, 2005.

173.30 Sec. 5. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 4, is  
173.31 amended to read:

173.32 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in  
173.33 the business of mining or producing of iron ore, taconite concentrates or direct reduced ore

in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2005.

Sec. 6. Minnesota Statutes 2004, section 298.01, subdivision 4a, is amended to read:

Subd. 4a. **Gross income.** (a) For purposes of determining a person's taxable income under subdivision 4, gross income is determined by the mine value of the ore mined in Minnesota and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state.

(b) Mine value is the value, or selling price, of iron ore or taconite concentrates, f.o.b. mine. The mine value is calculated by multiplying the iron unit price for the period, as determined by the commissioner, by the tons produced and the weighted average analysis.

(c) In applying section 290.191, subdivision 5, transfers of iron ore and taconite concentrates are deemed to be sales outside in this state ~~if the iron ore or taconite concentrates are transported out of this state after the raw iron ore and taconite concentrates have been converted to a marketable quality.~~

(d) If iron ore or taconite and a mineral, metal, or energy resource referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each mineral, metal, or energy resource must be determined separately from the mine



175.1 value for the iron ore or taconite. The gross income may be combined on one occupation  
175.2 tax return to arrive at the gross income from all production.

175.3 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
175.4 December 31, 2005.

175.5 Sec. 7. Minnesota Statutes 2004, section 298.01, subdivision 4b, is amended to read:

175.6 Subd. 4b. **Deductions.** For purposes of determining taxable income under  
175.7 subdivision 4, the deductions from gross income include only those expenses necessary  
175.8 to convert raw iron ore or taconite concentrates to marketable quality. Such expenses  
175.9 include costs associated with beneficiation and refinement but do not include expenses  
175.10 such as transportation, stockpiling, marketing, or marine insurance that are incurred after  
175.11 marketable iron ore or taconite pellets are produced. The allowable deductions from a  
175.12 mine or plant that mines and produces iron ore or taconite and one or more mineral or  
175.13 metal referred to in section 298.016 must be determined separately for the purposes of  
175.14 computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions  
175.15 may be combined on one occupation tax return to arrive at the deduction from gross  
175.16 income for all production.

175.17 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
175.18 December 31, 2005.

175.19 Sec. 8. Minnesota Statutes 2004, section 298.01, is amended by adding a subdivision  
175.20 to read:

175.21 Subd. 6. **Deductions applicable to mining both taconite and other ores; ratio**  
175.22 **applied.** If a person is engaged in the business of mining or producing both iron ores,  
175.23 taconite concentrates, or direct reduced ore, and other ores from the same mine or  
175.24 facility, that person must separately determine the mine value of (1) the iron ore, taconite  
175.25 concentrates, and direct reduced ore, and (2) the amount of gross proceeds from mining  
175.26 other ores in Minnesota. The ratio of mine value from iron ore, taconite concentrates,  
175.27 and direct reduced ore to gross proceeds from mining other ores must be applied to  
175.28 deductions common to both processes to determine taxable income for tax paid pursuant  
175.29 to subdivisions 3 and 4.

175.30 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
175.31 December 31, 2005.

Sec. 9. Minnesota Statutes 2004, section 298.17, is amended to read:

**298.17 OCCUPATION TAXES TO BE APPORTIONED.**

Subdivision 1. Apportionment under Constitution. All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

Subd. 2. Apportionment to IRRRB. Of the moneys apportioned to the general fund by this section, and not used for the support of elementary and secondary schools or the university, there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this section shall be used (1) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (2) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the Iron Range Resources and Rehabilitation Board regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 annually.

Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission.

Subd. 3. Apportionment to Minnesota minerals 21st century fund. The money apportioned to the general fund by this section that is not used for the support of elementary and secondary schools or the university, and that is not apportioned under subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund created in section 116J.423.

177.1 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
177.2 years.

177.3 Sec. 10. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is  
177.4 amended to read:

177.5 Subdivision 1. **Creation; purposes.** A fund called the taconite environmental  
177.6 protection fund is created for the purpose of reclaiming, restoring and enhancing those  
177.7 areas of northeast Minnesota located within the taconite assistance area defined in section  
177.8 273.1341, that are adversely affected by the environmentally damaging operations  
177.9 involved in mining taconite and iron ore and producing iron ore concentrate and for the  
177.10 purpose of promoting the economic development of northeast Minnesota. The taconite  
177.11 environmental protection fund shall be used for the following purposes:

177.12 (a) to initiate investigations into matters the Iron Range Resources and Rehabilitation  
177.13 Board determines are in need of study and which will determine the environmental  
177.14 problems requiring remedial action;

177.15 (b) reclamation, restoration, or reforestation of minelands not otherwise provided  
177.16 for by state law;

177.17 (c) local economic development projects but only if those projects are approved by  
177.18 the board, and public works, including construction of sewer and water systems located  
177.19 within the taconite assistance area defined in section 273.1341;

177.20 (d) monitoring of mineral industry related health problems among mining  
177.21 employees; and

177.22 (e) local renewable energy investments undertaken in cooperation with local units of  
177.23 government and mineland areas reforestation, reclamation, or development projects. The  
177.24 projects must be approved by the Iron Range Resources and Rehabilitation Board and  
177.25 located within the taconite assistance area as defined in section 273.1341. The board may  
177.26 enter into joint ventures with private or public entities to advance these projects.

177.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

177.28 Sec. 11. Minnesota Statutes 2004, section 298.227, is amended to read:

177.29 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

177.30 An amount equal to that distributed pursuant to each taconite producer's taxable  
177.31 production and qualifying sales under section 298.28, subdivision 9a, shall be held by  
177.32 the Iron Range Resources and Rehabilitation Board in a separate taconite economic  
177.33 development fund for each taconite and direct reduced ore producer. Money from the

178.1 fund for each producer shall be released by the commissioner after review by a joint  
178.2 committee consisting of an equal number of representatives of the salaried employees and  
178.3 the nonsalaried production and maintenance employees of that producer. The District 11  
178.4 director of the United States Steelworkers of America, on advice of each local employee  
178.5 president, shall select the employee members. In nonorganized operations, the employee  
178.6 committee shall be elected by the nonsalaried production and maintenance employees.  
178.7 The review must be completed no later than six months after the producer presents a  
178.8 proposal for expenditure of the funds to the committee. The funds held pursuant to this  
178.9 section may be released only for acquisition of equipment and facilities for the producer  
178.10 or for research and development in Minnesota on new mining, or taconite, iron, or steel  
178.11 production technology, but only if the producer provides a matching expenditure to be  
178.12 used for the same purpose of at least 50 percent of the distribution based on 14.7 cents  
178.13 per ton beginning with distributions in 2002. If a producer uses money from the fund for  
178.14 procuring haulage trucks, mobile equipment, and mining shovels more than once in a  
178.15 three-year period, the second and subsequent purchases of such pieces of equipment must  
178.16 be assembled by employees of the producer on the producer's property in this state. If a  
178.17 taconite production facility is sold after operations at the facility had ceased, any money  
178.18 remaining in the fund for the former producer may be released to the purchaser of the  
178.19 facility on the terms otherwise applicable to the former producer under this section. If a  
178.20 producer fails to provide matching funds for a proposed expenditure within six months  
178.21 after the commissioner approves release of the funds, the funds are available for release to  
178.22 another producer in proportion to the distribution provided and under the conditions of  
178.23 this section. Any portion of the fund which is not released by the commissioner within  
178.24 two years of its deposit in the fund shall be divided between the taconite environmental  
178.25 protection fund created in section 298.223 and the Douglas J. Johnson economic protection  
178.26 trust fund created in section 298.292 for placement in their respective special accounts.  
178.27 Two-thirds of the unreleased funds shall be distributed to the taconite environmental  
178.28 protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

178.29 Sec. 12. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision  
178.30 to read:

178.31 Subd. 2a. **Cities and towns.** Two cents per taxable ton is allocated to the city or  
178.32 town in the county in which the land from which the taconite was mined or quarried or  
178.33 within which the concentrate was produced. If the mining, quarrying, and concentration,  
178.34 or different steps in either thereof are carried on in more than one taxing district, the  
178.35 commissioner shall apportion equitably the proceeds of the part of the tax going to cities

179.1 and towns among the subdivisions by attributing 50 percent of the proceeds of the tax to  
179.2 the operation of mining or quarrying the taconite, and the remainder to the concentrating  
179.3 plant and to the processes of concentration, and with respect to each thereof giving due  
179.4 consideration to the relative extent of such operations performed in each taxing district.  
179.5 The commissioner's apportionment order is subject to review by the Tax Court upon  
179.6 petition by any of the interested taxing districts, in the same manner as other orders of  
179.7 the commissioner.

179.8 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
179.9 years.

179.10 Sec. 13. Minnesota Statutes 2004, section 298.28, subdivision 6, is amended to read:

179.11 Subd. 6. **Property tax relief.** (a) In 2002 and thereafter, 33.9 cents per taxable  
179.12 ton, less any amount required to be distributed under paragraphs (b) and (c), or section  
179.13 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties'  
179.14 fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

179.15 (b) If an electric power plant owned by and providing the primary source of power  
179.16 for a taxpayer mining and concentrating taconite is located in a county other than the  
179.17 county in which the mining and the concentrating processes are conducted, .1875 cent per  
179.18 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

179.19 (c) If an electric power plant owned by and providing the primary source of power  
179.20 for a taxpayer mining and concentrating taconite is located in a school district other than  
179.21 a school district in which the mining and concentrating processes are conducted, .4541  
179.22 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to  
179.23 the school district.

179.24 Sec. 14. Minnesota Statutes 2004, section 298.28, subdivision 8, is amended to read:

179.25 Subd. 8. **Range Association of Municipalities and Schools.** ~~.20~~ .30 cent per  
179.26 taxable ton shall be paid to the Range Association of Municipalities and Schools, for  
179.27 the purpose of providing an areawide approach to problems which demand coordinated  
179.28 and cooperative actions and which are common to those areas of northeast Minnesota  
179.29 affected by operations involved in mining iron ore and taconite and producing concentrate  
179.30 therefrom, and for the purpose of promoting the general welfare and economic  
179.31 development of the cities, towns and school districts within the iron range area of  
179.32 northeast Minnesota.

180.1 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
180.2 years.

180.3 Sec. 15. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision  
180.4 to read:

180.5 Subd. 9c. **Taconite environmental fund-renewable energy.** 4.4 cents per taxable  
180.6 ton is allocated to the taconite environmental protection fund for projects under section  
180.7 298.223, subdivision 1, paragraph (e).

180.8 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
180.9 years.

180.10 Sec. 16. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4,  
180.11 is amended to read:

180.12 Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions  
180.13 under section 298.28, subdivision 9b, and to make grants or loans as provided in this  
180.14 subdivision. Any grant or loan made under this subdivision must be approved by  
180.15 a majority of the members of the Iron Range Resources and Rehabilitation Board,  
180.16 established under section 298.22.

180.17 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia  
180.18 for improvements and repairs to the city's steam heating system.

180.19 (c) Distributions received in calendar year 2006 are allocated to a project of the  
180.20 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical  
180.21 generating plants to the use of biomass products, such as wood.

180.22 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to  
180.23 be used for the East Two Rivers project in or near the city of Tower.

180.24 (e) For distributions received in 2008 and later, ~~amounts may be allocated to joint~~  
180.25 ~~ventures with mining companies for reclamation of lands containing abandoned or worked~~  
180.26 ~~out mines to convert these lands to marketable properties for residential, recreational,~~  
180.27 ~~commercial, or other valuable uses~~ the first \$2,000,000 of the 2008 distribution must be  
180.28 paid to St. Louis County for deposit in its county road and bridge fund to be used for  
180.29 relocation of St. Louis County Road 715, commonly referred to as Pike River Road,  
180.30 \$250,000 must be paid to the Hibbing Public Utilities Commission for a new well, and the  
180.31 remainder of the 2008 distribution and the full amount of the distributions in 2009 and  
180.32 subsequent years is allocated for projects under section 298.223, subdivision 1, clause (e).

181.1 Sec. 17. Minnesota Statutes 2004, section 298.2961, is amended by adding a  
181.2 subdivision to read:

181.3 Subd. 5. Public works and local economic development fund. For distributions in  
181.4 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would  
181.5 be allocated under section 298.28, subdivision 6. The following amounts are allocated to  
181.6 St. Louis County acting as the fiscal agent for the recipients for the specific purposes:

181.7 (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for  
181.8 construction of a combined wastewater facility;

181.9 (2) six cents per ton to the city of Eveleth to redesign and design and construct  
181.10 improvements to renovate its water treatment facility;

181.11 (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to  
181.12 design a central wastewater collection and treatment system;

181.13 (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

181.14 (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

181.15 (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

181.16 (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and  
181.17 Indiana Avenues and for repayment of a loan to the Minnesota Department of Employment  
181.18 and Economic Development;

181.19 (8) 0.4 cents per ton to the city of Keewatin for a new city well;

181.20 (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous  
181.21 materials center;

181.22 (10) 0.9 cents per ton to Aitkin County Growth for an economic development  
181.23 project for peat harvesting;

181.24 (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;

181.25 (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive  
181.26 plan;

181.27 (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;

181.28 (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake  
181.29 Environmental Learning Center;

181.30 (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;

181.31 (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand  
181.32 Rapids for planning for the North Central Research and Technology Laboratory;

181.33 (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;

181.34 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and

181.35 (19) ten cents per ton to an economic development authority in a city through which  
181.36 State Highway 1 passes, or a city in Independent School District No. 2142 that has an

182.1 active mine, for an economic development project approved by the Iron Range Resources  
182.2 and Rehabilitation Board.

182.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

182.4 Sec. 18. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision  
182.5 to read:

182.6 **Subd. 10. Tax may be imposed; Sylvan Township.** (a) If Cass County does not  
182.7 impose a tax under this section and approves imposition of the tax under this subdivision,  
182.8 the town of Sylvan in Cass County may impose the aggregate materials tax under this  
182.9 section.

182.10 (b) For purposes of exercising the powers contained in this section, the "town" is  
182.11 deemed to be the "county."

182.12 (c) All provisions in this section apply to the town of Sylvan, except that, in lieu  
182.13 of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must  
182.14 be retained by the town.

182.15 (d) If Cass County imposes an aggregate materials tax under this section, the tax  
182.16 imposed by the town of Sylvan under this subdivision is repealed on the effective date  
182.17 of the Cass County tax.

182.18 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
182.19 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions  
182.20 2 and 3.

182.21 Sec. 19. **TRANSITION PROVISIONS.**

182.22 Each person with an alternative minimum tax credit on December 31, 2005, pursuant  
182.23 to Minnesota Statutes 2004, section 298.01, may take that credit against occupation tax  
182.24 under Minnesota Statutes 2004, section 298.01, subdivisions 3d and 4e.

182.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

182.26 Sec. 20. **REPEALER.**

182.27 Minnesota Statutes 2004, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are  
182.28 repealed effective for tax years beginning after December 31, 2005.



## ARTICLE 14

## MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 256.482, subdivision 8, is amended to read:

Subd. 8. **Sunset.** Notwithstanding section 15.059, subdivision 5, the Council on Disability shall not sunset until June 30, ~~2007~~ 2011.

**EFFECTIVE DATE.** This section is effective upon final enactment.

Sec. 2. Minnesota Statutes 2004, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city ~~presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a~~ hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 3. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT WITH INTERNAL REVENUE SERVICE.**

The commissioner of revenue shall enter into an agreement with the United States Internal Revenue Service to participate in a tax processing program whereby the Internal Revenue Service processes electronically filed state returns together with the federal returns. If possible, the ability of taxpayers to file property tax refund claims under chapter 290A with state income tax returns must be preserved.

Sec. 4. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is amended to read:

Subd. 83. **International economic development zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision

184.3 24, and located within the international economic development zone designated under  
184.4 section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the  
184.5 improvements are:

184.6 (1) part of a regional distribution center as defined in section 469.321; or

184.7 (2) occupied by a qualified business as defined in section 469.321, that uses the  
184.8 improvements primarily in freight forwarding operations.

184.9 (b) ~~The exemption applies beginning for the first assessment year after designation of~~  
184.10 ~~the international economic development zone.~~ The exemption applies to each assessment  
184.11 year that begins during the duration of the international economic development zone. To  
184.12 be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the  
184.13 assessment year by a qualified business that has signed the business subsidy agreement  
184.14 by July 1 of the assessment year.

184.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

184.16 Sec. 5. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

184.17 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)

184.18 A person required to deduct and withhold from an employee a tax under section 290.92,  
184.19 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to  
184.20 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required  
184.21 to withhold tax under section 290.923, subdivision 2, determined without regard to  
184.22 section 290.92, subdivision 19, if the employee or payee had claimed no more than one  
184.23 withholding exemption, or who paid wages or made payments not subject to withholding  
184.24 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or  
184.25 person receiving royalty payments in excess of \$600, or who has entered into a voluntary  
184.26 withholding agreement with a payee under section 290.92, subdivision 20, must give  
184.27 every employee or person receiving royalty payments in respect to the remuneration paid  
184.28 by the person to the employee or person receiving royalty payments during the calendar  
184.29 year, on or before January 31 of the succeeding year, or, if employment is terminated  
184.30 before the close of the calendar year, within 30 days after the date of receipt of a written  
184.31 request from the employee if the 30-day period ends before January 31, a written statement  
184.32 showing the following:

184.33 (1) name of the person;

184.34 (2) the name of the employee or payee and the employee's or payee's Social  
184.35 Security account number;

185.1 (3) the total amount of wages as that term is defined in section 290.92, subdivision  
185.2 1, paragraph (1); the total amount of remuneration subject to withholding under section

185.3 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the  
185.4 Internal Revenue Code; and the amount of royalties subject to withholding under section  
185.5 290.923, subdivision 2; and

185.6 (4) the total amount deducted and withheld as tax under section 290.92, subdivision  
185.7 2a or 3, or 290.923, subdivision 2.

185.8 (b) The statement required to be furnished by this paragraph with respect to any  
185.9 remuneration must be furnished at those times, must contain the information required, and  
185.10 must be in the form the commissioner prescribes.

185.11 (c) The commissioner may prescribe rules providing for reasonable extensions of  
185.12 time, not in excess of 30 days, to employers or payers required to give the statements to  
185.13 their employees or payees under this subdivision.

185.14 (d) A duplicate of any statement made under this subdivision and in accordance  
185.15 with rules prescribed by the commissioner, along with a reconciliation in the form the  
185.16 commissioner prescribes of the statements for the calendar year, including a reconciliation  
185.17 of the quarterly returns required to be filed under subdivision 1, must be filed with the  
185.18 commissioner on or before February 28 of the year after the payments were made.

185.19 (e) If an employer cancels the employer's Minnesota withholding account number  
185.20 required by section 290.92, subdivision 24, the information required by paragraph (d),  
185.21 must be filed with the commissioner within 30 days of the end of the quarter in which  
185.22 the employer cancels its account number.

185.23 (f) The employer must submit the statements required to be sent to the commissioner  
185.24 ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting~~  
185.25 ~~requirements of section 6011(c) of the Internal Revenue Code and the regulations issued~~  
185.26 ~~under it by electronic means.~~

185.27 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph  
185.28 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,  
185.29 paragraph (a), with the commissioner by electronic means.

185.30 **EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006.

185.31 Sec. 6. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2, is  
185.32 amended to read:

185.33 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed  
185.34 by this section:

185.35 (1) corporations exempt from tax under section 290.05;

186.1 (2) real estate investment trusts;

186.2 (3) regulated investment companies or a fund thereof; and

186.3 (4) entities having a valid election in effect under section 860D(b) of the Internal  
186.4 Revenue Code;

186.5 (5) town and farmers' mutual insurance companies;

186.6 (6) cooperatives organized under chapter 308A or 308B that provide housing  
186.7 exclusively to persons age 55 and over and are classified as homesteads under section  
186.8 273.124, subdivision 3;

186.9 (7) an entity, if for the taxable year all of its property is located in a job opportunity  
186.10 building zone designated under section 469.314 and all of its payroll is a job opportunity  
186.11 building zone payroll under section 469.310; and

186.12 (8) an entity, if for the taxable year all of its property is located in an international  
186.13 economic development zone designated under section 469.322, and all of its payroll is  
186.14 international economic development zone payroll under section 469.321. The exemption  
186.15 under this clause applies to taxable years beginning during the duration of the international  
186.16 economic development zone.

186.17 Entities not specifically exempted by this subdivision are subject to tax under this  
186.18 section, notwithstanding section 290.05.

186.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

186.20 Sec. 7. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3, is  
186.21 amended to read:

186.22 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales  
186.23 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts  
186.24 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the  
186.25 total sales or receipts apportioned or attributed to Minnesota pursuant to any other  
186.26 apportionment formula applicable to the taxpayer.

186.27 (b) "Minnesota property" means total Minnesota tangible property as provided in  
186.28 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,  
186.29 but does not include: (1) property located in a job opportunity building zone designated  
186.30 under section 469.314, or (2) property of a qualified business located in a biotechnology  
186.31 and health sciences industry zone designated under section 469.334, or (3) for taxable  
186.32 years beginning during the duration of the zone, property of a qualified business located  
186.33 in the international economic development zone designated under section 469.322.

186.34 Intangible property shall not be included in Minnesota property for purposes of this  
186.35 section. Taxpayers who do not utilize tangible property to apportion income shall  
187.1 nevertheless include Minnesota property for purposes of this section. On a return for  
187.2 a short taxable year, the amount of Minnesota property owned, as determined under

187.3 section 290.191, shall be included in Minnesota property based on a fraction in which the  
187.4 numerator is the number of days in the short taxable year and the denominator is 365.

187.5 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
187.6 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls  
187.7 under section 469.310, subdivision 8, ~~or~~ (2) biotechnology and health sciences industry  
187.8 zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning  
187.9 during the duration of the zone, international economic development zone payrolls under  
187.10 section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income  
187.11 shall nevertheless include Minnesota payrolls for purposes of this section.

187.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

187.13 Sec. 8. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

187.14 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under  
187.15 subdivision 1, a hospital or health care provider may claim an annual credit against the  
187.16 total amount of tax, if any, the hospital or health care provider owes for that calendar  
187.17 year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues  
187.18 for patient services used to fund expenditures for qualifying research conducted by an  
187.19 allowable research program. The amount of the credit shall not exceed the tax liability of  
187.20 the hospital or health care provider under sections 295.50 to 295.57.

187.21 (b) For purposes of this subdivision, the following requirements apply:

187.22 (1) expenditures must be for program costs of qualifying research conducted by  
187.23 an allowable research program;

187.24 (2) an allowable research program must be a formal program of medical and  
187.25 health care research conducted by an entity which is exempt under section 501(c)(3)  
187.26 of the Internal Revenue Code of 1986 or is owned and operated under authority of a  
187.27 governmental unit;

187.28 (3) qualifying research must:

187.29 (A) be approved in writing by the governing body of the hospital or health care  
187.30 provider which is taking the deduction under this subdivision;

187.31 (B) have as its purpose the development of new knowledge in basic or applied  
187.32 science relating to the diagnosis and treatment of conditions affecting the human body;

187.33 (C) be subject to review by individuals with expertise in the subject matter of the  
187.34 proposed study but who have no financial interest in the proposed study and are not  
187.35 involved in the conduct of the proposed study; and

188.1 (D) be subject to review and supervision by an institutional review board operating  
188.2 in conformity with federal regulations if the research involves human subjects or

188.3 an institutional animal care and use committee operating in conformity with federal  
188.4 regulations if the research involves animal subjects. Research expenses are not exempt if  
188.5 the study is a routine evaluation of health care methods or products used in a particular  
188.6 setting conducted for the purpose of making a management decision. Costs of clinical  
188.7 research activities paid directly for the benefit of an individual patient are excluded from  
188.8 this exemption. Basic research in fields including biochemistry, molecular biology, and  
188.9 physiology are also included if such programs are subject to a peer review process.

188.10 (c) No credit shall be allowed under this subdivision for any revenue received by the  
188.11 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a  
188.12 government or nongovernment source, on which the tax liability under section 295.52 is  
188.13 not imposed.

188.14 (d) The taxpayer shall apply for the credit under this section on the annual return  
188.15 under section 295.55, subdivision 5.

188.16 (e) Beginning September 1, 2001, if the actual or estimated amount paid under this  
188.17 section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance  
188.18 shall determine the rate of the research credit for the following calendar year to the nearest  
188.19 one-half percent so that refunds paid under this section will most closely equal ~~\$2,500,000~~  
188.20 \$7,000,000. The commissioner of finance shall publish in the State Register by October 1  
188.21 of each year the rate of the credit for the following calendar year. A determination under  
188.22 this section is not subject to the rulemaking provisions of chapter 14.

188.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
188.24 December 31, 2006.

188.25 Sec. 9. **[295.61] SPORTS MEMORABILIA TAX.**

188.26 **Subdivision 1. Tax.** A tax is imposed on each sale at wholesale of sports memorabilia  
188.27 in the state. The rate of the tax is 13 percent of the gross revenues from the sale.

188.28 **Subd. 2. Definitions.** (a) For purposes of this section, the following terms have  
188.29 the meanings given them.

188.30 (b) "Buyer" means any person who purchases sports memorabilia at wholesale.

188.31 (c) "Commissioner" means the commissioner of revenue.

188.32 (d) "Sale" means a transfer of title or possession of tangible personal property,  
188.33 whether absolutely or conditionally.

188.34 (e) "Sports memorabilia" means items available for sale to the public that are sold  
188.35 under a license granted by either:

189.1 (1) a professional baseball, football, basketball, or hockey league, association, or  
189.2 team;

189.3 (2) the National Collegiate Athletic Association (NCAA);

189.4 (3) an NCAA Division I college or university, excluding any multidivision  
5 classification NCAA member schools that have only one Division I sport; or

189.6 (4) an individual athlete.

189.7 Sports memorabilia includes:

189.8 (1) one-of-a-kind items related to sports figures, teams, or events;

189.9 (2) trading cards;

189.10 (3) photographs;

189.11 (4) clothing;

189.12 (5) sports event licensed items;

189.13 (6) sports equipment; and

189.14 (7) similar items.

15 (f) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section  
189.16 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

189.17 (g) "Wholesaler" means any person making wholesale sales of sports memorabilia  
189.18 to purchasers in the state.

189.19 Subd. 3. Quarterly estimated payments. (a) Each wholesaler must make estimated  
189.20 payments of the tax for the calendar year to the commissioner in quarterly installments by  
189.21 April 15, July 15, October 15, and January 15 of the following calendar year.

189.22 (b) Estimated tax payments are not required if the tax for the calendar year is less  
189.23 than \$500.

189.24 (c) An underpayment of estimated installments bears interest at the rate specified in  
189.25 section 270C.40, from the due date of the payment until paid or until the due date of the  
189.26 annual return at the rate specified in section 270C.40. An underpayment of an estimated  
189.27 installment is the difference between the amount paid and the lesser of (1) 90 percent of  
189.28 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues  
189.29 received during the quarter.

189.30 Subd. 4. Electronic funds-transfer payments. A taxpayer with an aggregate tax  
189.31 liability of \$120,000 or more during a fiscal year ending June 30, must remit all liabilities  
189.32 by funds-transfer as defined in section 336.4A-104, paragraph (a), in the next calendar  
189.33 year. The funds-transfer payment date, as defined in section 336.4A-401, is on or before  
189.34 the first funds-transfer business day after the date the tax is due.

189.35 Subd. 5. Annual return. The taxpayer must file an annual return reconciling the  
36 estimated payments by March 15 of the following calendar year.

190.1 Subd. 6. Form of returns. The estimated payments and annual return must contain  
190.2 the information and be in the form prescribed by the commissioner.

190.3        Subd. 7. Use tax. If the tax is not paid under this section, a tax is imposed on  
 190.4 possession for sale or use of sports memorabilia in the state. The rate of tax equals the rate  
 190.5 under this section, and must be paid by the possessor of the items.

190.6        Subd. 8. Application of other chapters. Unless specifically provided otherwise by  
 190.7 this section, the enforcement, interest, and penalty provisions under chapter 270C, appeal  
 190.8 provisions in sections 289A.43 and 289A.65, criminal penalties under section 289A.63,  
 190.9 refund provisions in section 289A.50, and collection and rulemaking provisions under  
 190.10 chapter 270C, apply to the tax under this section.

190.11       Subd. 9. Disposition of revenues. The commissioner shall deposit all revenues,  
 190.12 including interest and penalties, derived from the tax imposed under this section in the  
 190.13 state treasury. A portion of the proceeds from the tax imposed in subdivision 1 are  
 190.14 intended to fund the continuation of the Council on Disability.

190.15       EFFECTIVE DATE. This section is effective for sales after December 31, 2006.

190.16       Sec. 10. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41,  
 190.17 is amended to read:

190.18       Subd. 41. **International economic development zones.** (a) Purchases of tangible  
 190.19 personal property or taxable services by a qualified business, as defined in section 469.321,  
 190.20 are exempt if the property or services are primarily used or consumed in the international  
 190.21 economic development zone designated under section 469.322. This exemption applies  
 190.22 only if the purchase is made and delivery received after the business signed the business  
 190.23 subsidy agreement required under chapter 469.

190.24       (b) Purchase and use of construction materials, supplies, and equipment incorporated  
 190.25 into the construction of improvements to real property in the international economic  
 190.26 development zone are exempt if the improvements after completion of construction are  
 190.27 to be used as a regional distribution center as defined in section 469.321 or otherwise  
 190.28 used in the conduct of freight forwarding activities of a qualified business as defined in  
 190.29 section 469.321. This exemption applies regardless of whether the purchases are made  
 190.30 by the business or a contractor.

190.31       (c) The exemptions under this subdivision apply to a local sales and use tax,  
 190.32 regardless of whether the local tax is imposed on sales taxable under this chapter or in  
 190.33 another law, ordinance, or charter provision.

190.34       (d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales  
 190.35 ~~during the duration of the zone and after June 30, 2007, if the purchase was made and~~  
 191.1 ~~delivery received after the business signs the business subsidy agreement required under~~  
 191.2 ~~chapter 469 and purchases made after the date of final zone designation under section~~



191.3 469.322, paragraph (c), and before the expiration of the zone under section 469.322,  
191.4 paragraph (d).

191.5 (e) For purchases made for improvements to real property to be occupied by a  
191.6 business that has not signed a business subsidy agreement at the time of the purchase, the  
191.7 tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,  
191.8 applied, and then refunded in the manner provided in section 297A.75 ~~beginning in fiscal~~  
191.9 ~~year 2008~~. The taxpayer must attach to the claim for refund information sufficient for  
191.10 the commissioner to be able to determine that the improvements are being occupied by  
191.11 a business that has signed a business subsidy agreement.

191.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

191.13 Sec. 11. **[469.193] FOREIGN TRADE ZONES.**

191.14 A city, county, town, or other political subdivision may apply to the board defined in  
191.15 United States Code, title 19, section 81a, for the right to use the powers provided in United  
191.16 States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or  
191.17 other political subdivision may use the powers within or outside of a port district. Any  
191.18 city, county, town, or other political subdivision may apply jointly with any other city,  
191.19 county, town, or other political subdivision.

191.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

191.21 Sec. 12. Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

191.22 **469.322 DESIGNATION OF INTERNATIONAL ECONOMIC**  
191.23 **DEVELOPMENT ZONE.**

191.24 (a) An area designated as a foreign trade zone may be designated by the foreign  
191.25 trade zone authority as an international economic development zone if within the zone  
191.26 a regional distribution center is being developed pursuant to section 469.323. The zone  
191.27 must consist of contiguous area of not less than 500 acres and not more than 1,000 acres.  
191.28 The designation authority under this section is limited to one zone.

191.29 (b) In making the designation, the foreign trade zone authority, in consultation with  
191.30 the Minnesota Department of Transportation and the Metropolitan Council, shall consider  
191.31 access to major transportation routes, consistency with current state transportation and  
191.32 air cargo planning, adequacy of the size of the site, access to airport facilities, present  
33 and future capacity at the designated airport, the capability to meet integrated present  
192.1 and future air cargo, security, and inspection services, and access to other infrastructure  
192.2 and financial incentives. The border of the international economic development zone

192.3 must be no more than 60 miles distant or 90 minutes drive time from the border of the  
 192.4 Minneapolis-St. Paul International Airport.

192.5 (c) Before final designation of the zone, the foreign trade zone authority, in  
 192.6 consultation with the applicant, must conduct a transportation impact study based on the  
 192.7 regional model and utilizing traffic forecasting and assignments. The results must be used  
 192.8 to evaluate the effects of the proposed use on the transportation system and identify any  
 192.9 needed improvements. If the site is in the metropolitan area the study must also evaluate  
 192.10 the effect of the transportation impacts on the Metropolitan Transportation System plan  
 192.11 as well as the comprehensive plans of the municipalities that would be affected. The  
 192.12 authority shall provide copies of the study to the legislature under section 3.195 and to the  
 192.13 chairs of the committees with jurisdiction over transportation and economic development.  
 192.14 The applicant must pay the cost of the study.

192.15 ~~(c)~~ (d) Final zone designation must be made by June 30, ~~2006~~ 2008.

192.16 ~~(d)~~ (e) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

192.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

192.18 Sec. 13. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is  
 192.19 amended to read:

192.20 Subd. 2. **Business plan.** Before designation of an international economic  
 192.21 development zone under section 469.322, the governing body of the foreign trade zone  
 192.22 authority shall prepare a business plan. The findings of the business plan shall be  
 192.23 presented to the legislature pursuant to section 3.195. Copies of the business plan shall be  
 192.24 provided to the chairs of committees with jurisdiction over transportation and economic  
 192.25 development. The plan must include an analysis of the economic feasibility of the regional  
 192.26 distribution center once it becomes operational and of the operations of freight forwarders  
 192.27 and other businesses that choose to locate within the boundaries of the zone. The analysis  
 192.28 must provide profitability models that:

192.29 (1) include the benefits of the incentives;

192.30 (2) estimate the amount of time needed to achieve profitability; and

192.31 (3) analyze the length of time incentives will be necessary to the economic viability  
 192.32 of the regional distribution center.

192.33 If the governing body of the foreign trade authority determines that the models do  
 192.34 not establish the economic feasibility of the project, the regional distribution center does  
 192.35 not meet the development requirements of this section and section 469.322.

193.1 Sec. 14. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

193.2 **469.327 JOBS CREDIT.**

193.3 Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against  
193.4 the taxes imposed under chapter 290. The credit equals seven percent of the:

193.5 (1) lesser of:

193.6 (i) zone payroll for the taxable year, less the zone payroll for the base year; or

193.7 (ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for  
193.8 the base year; minus

193.9 (2) \$30,000 multiplied by the number of full-time equivalent employees that the  
193.10 qualified business employs in the international economic development zone for the taxable  
193.11 year, minus the number of full-time equivalent employees the business employed in the  
193.12 zone in the base year, but not less than zero.

193.13 (b) This section applies only to tax years beginning during the duration of the  
193.14 international economic development zone.

193.15 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
193.16 the meanings given.

193.17 (b) "Base year" means the taxable year beginning during the calendar year  
193.18 immediately preceding the calendar year in which the zone designation was made duration  
193.19 of the zone begins under section 469.322, paragraph (d).

193.20 (c) "Full-time equivalent employees" means the equivalent of annualized expected  
193.21 hours of work equal to 2,080 hours.

193.22 (d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under  
193.23 section 290.191, subdivision 12, for the qualified business or the unitary business of which  
193.24 the qualified business is a part, whichever is greater.

193.25 (e) "Zone payroll" means wages or salaries used to determine the zone payroll  
193.26 factor for the qualified business, less the amount of compensation attributable to any  
193.27 employee that exceeds \$70,000.

193.28 Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31,  
193.29 ~~2006~~ 2010, the dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are  
193.30 annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by  
193.31 the percentage determined under section 290.06, subdivision 2d, for the taxable year.

193.32 Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under  
193.33 chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

34 Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this  
193.35 section is appropriated to the commissioner of revenue from the general fund.

194.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

194.2 Sec. 15. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended  
194.3 to read:

194.4 Sec. 23. **GRANTS TO QUALIFYING BUSINESSES.**

194.5

194.6 \$750,000 is appropriated in fiscal year 2006 from the general fund to the  
194.7 commissioner of employment and economic development to be distributed to the foreign  
194.8 trade zone authority to provide grants to qualified businesses as determined by the  
194.9 authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide  
194.10 incentives for the businesses to locate their operations in an international economic  
194.11 development zone. If the money is not distributed during fiscal year 2006, it remains  
194.12 available for distribution under this section ~~during fiscal year 2007~~ until December 31,  
194.13 2010.

194.14 Sec. 16. **PROPERTY TAX REFUND COLLECTION ACTION PROHIBITED;**  
194.15 **REFUNDS REQUIRED.**

194.16 Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other  
194.17 law to the contrary, the commissioner of revenue shall not disallow any part of a claim  
194.18 for a property tax refund filed in 2005 or an earlier year to the extent that the claim  
194.19 was excessive because it did not include in the claimant's income as determined under  
194.20 Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount  
194.21 provided by a postsecondary education institution. If a claimant was required to repay  
194.22 any part of a property tax refund based on inclusion of this discount in the claimant's  
194.23 income on a claim filed in 2005 or an earlier year, the commissioner must refund that  
194.24 amount to the claimant.

194.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

194.26 Sec. 17. **JOINT STUDY BY COMMISSIONERS OF REVENUE AND**  
194.27 **DEPARTMENT OF EMPLOYEE RELATIONS.**

194.28 In order to increase compliance with income and franchise taxes and tax laws, the  
194.29 commissioners of the Departments of Revenue and Employee Relations, in consultation  
194.30 with the affected bargaining units, shall study the competitiveness of compensation of  
194.31 tax compliance auditors within the Department of Revenue. The study shall consider  
194.32 the performance of compliance auditors, including training, experience, employment

195.1 classification, and duties. The study shall be completed by October 15, 2006, and the  
195.2 commissioner of employee relations shall implement its recommendations.

195.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

195.4 Sec. 18. **SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**  
195.5 **ENGLISH PROFICIENCY.**

195.6 The commissioner of revenue shall study and implement procedures and services  
195.7 that will assist sales and use taxpayers of limited English proficiency in complying with  
195.8 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,  
195.9 and instructions into Spanish and other languages must be considered. In addition, the  
195.10 commissioner shall study how to direct taxpayers of limited English proficiency who  
195.11 contact the Department of Revenue by telephone to assistance in Spanish and other  
195.12 languages as determined by the commissioner. The commissioner shall report on the  
195.13 results of the study and a plan to implement them to the senate and house of representatives  
195.14 committees with jurisdiction over tax laws by February 1, 2007.

195.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

195.16 Sec. 19. **TRANSFER OF MONEY.**

195.17 Any money in the tax relief account under Minnesota Statutes, section 16A.1522,  
195.18 subdivision 4, on the day following final enactment of this act is transferred to the general  
195.19 fund.

20 Sec. 20. **COOK-ORR HOSPITAL DISTRICT; ADDITION OF TERRITORY.**

195.21 The board of the hospital district created under Laws 1988, chapter 645, may  
195.22 enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota  
195.23 Chippewa that would permit the reservation lands of the Bois Forte Band at Nett Lake  
195.24 and Lake Vermilion to be included in the territory of the hospital district. The agreement  
195.25 must establish the terms and conditions under which the territory would be so expanded,  
195.26 including the amount of or means for determining the amount of the contribution by the  
195.27 Bois Forte Band to the district.

195.28 Sec. 21. **APPROPRIATION.**

29 \$2,000,000 is appropriated from the general fund to the commissioner of public  
195.30 safety to be used to reimburse state and local law enforcement agencies for additional law  
195.31 enforcement efforts, focused on downtown Minneapolis.

ARTICLE locations in UEH3374-1 Page 1

ARTICLE 1 INCOME TAX .....Page.Ln 2.40

ARTICLE 2 INCOME TAX REFORM..... Page.Ln 15.31

ARTICLE 3 SALES AND USE TAX.....Page.Ln 23.25

ARTICLE 4 FOREIGN OPERATING CORPORATIONS .....Page.Ln 53.3

ARTICLE 5 PROPERTY TAXES .....Page.Ln 60.25

ARTICLE 6 DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS .....Page.Ln 86.21

ARTICLE 7 DEPARTMENT OF REVENUE SALES AND USE TAXES.....Page.Ln 96.29

ARTICLE 8 DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES .....Page.Ln 119.1

ARTICLE 9 DEPARTMENT OF REVENUE MISCELLANEOUS .....Page.Ln 123.7

ARTICLE 10 PUBLIC FINANCE .....Page.Ln 128.2

ARTICLE 11 LOCAL DEVELOPMENT .....Page.Ln 138.3

ARTICLE 12 AIDS AND CREDITS .....Page.Ln 163.16

ARTICLE 13 MINERALS .....Page.Ln 172.1

ARTICLE 14 MISCELLANEOUS.....Page.Ln 183.1

**Senate Counsel, Research,  
and Fiscal Analysis**


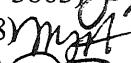

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State of Minnesota

## H.F. No. 3374 - Omnibus Tax Bill

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**Date:** May 11, 2006

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### ARTICLE 1 INCOME TAX

**Sections 1 and 6 Beginning Farmer Program and Tax Credit.** Provides an income tax credit for beginning farmers for the costs of participating in a financial management program approved by the Rural Finance Authority. The nonrefundable credit is available for up to three years and can be carried over for up to 15 succeeding taxable years.

**Section 2 Military Pension Subtraction.** Allows a subtraction from income for pension or retirement income received for service in the armed forces. For 2007, the maximum subtraction is limited to 25 percent of up to \$30,000 of military retirement income. For 2008, a 50 percent subtraction is allowed; for 2009, a 75 percent subtraction is allowed; and for 2010 and later years, 100 percent of military pension income may be subtracted with no maximum.

**Section 3 Refunds for Transit Passes.** Provides a refundable income tax credit to nonprofit organizations for 30 percent of the costs of providing transit passes to employees.

**Section 4 Film Production Credit.** Provides a refundable income tax credit of 15 percent of the expenditures for production of films, documentaries, and music videos in Minnesota.

**Section 5 Credit for Military Service.** Provides a refundable income tax credit for Minnesota residents who serve, or have served, in a designated combat zone since September 11, 2001.

**Section 7 Bovine Testing Credit.** Provides a refundable income tax credit to owners of cattle in Minnesota for one-half the expenses incurred to conduct bovine tuberculosis testing.

**Section 8 Dairy Investment Credit.** Provides a nonrefundable income tax credit equal to 10 percent of the first \$500,000 of qualifying expenditures for improvement of buildings or facilities or acquisition of equipment used for dairy farming. Unused credits may be carried forward up to 15 succeeding tax years.

**Section 9 Historic Structure Rehabilitation Credit.** Provides a nonrefundable income tax credit of ten percent of the costs of rehabilitation of historic structures. To qualify for the credit, the rehabilitation costs must exceed 50 percent of the property's basis before rehabilitation. Unused credits may be carried back up to three preceding taxable years or carried forward up to 15 succeeding tax years. In lieu of claiming the tax credit, building owners may transfer the value of the tax credit to their lender. Under this option the lender claims a tax credit.

**Section 10 Prohibition Against Deducting Fines and Penalties.** Prohibits businesses from deducting criminal or civil fines, penalties, or damages.

## **ARTICLE 2 INCOME TAX REFORM**

**Sections 1, 2, 4, 8, and 9. Federal Update.** These changes bring Minnesota's income and property tax laws into conformity with recent federal law changes through December 31, 2005. Currently, Minnesota law incorporates federal law only through April 15, 2005. Specifically, these sections will incorporate the federal enactments of The Energy Tax Incentives Act of 2005, The Katrina Emergency Tax Relief Act of 2005, and The Gulf Opportunity Zone Act of 2005.

**Section 3. Acceleration of Marriage Penalty Elimination.** This section eliminates the addition for the difference between the federal and state standard deductions for married joint filers beginning in taxable year 2006. Thus, the standard deduction for married joint filers would be 200 percent of the standard deduction for single filers.

**Section 5. Elimination of Marriage Penalty Credit.** This section removes the marriage penalty credit for earned income credit calculations as it is no longer necessary starting in taxable year 2006.

**Section 6. Alternative Minimum Tax Exemptions.** Increases the exemption amounts for the Alternative Minimum Tax by 50 percent, from \$40,000 to \$60,000 for married joint returns, from \$20,000 to \$30,000 for married separate returns, and from \$30,000 to \$45,000 for single and head of household returns, effective tax year 2006. The provision also effectively expands the range of income over which the exemptions are phased out. For 2007 and future years, the exemption amounts are indexed for inflation.

**Section 7. Deferred Compensation.** The current law allows a recipient to exclude from income compensation that was received while a nonresident even though the income was earned while the recipient was a resident. This section will require that compensation earned while a resident is included as taxable income even when the recipient is a nonresident when it is received.



**Section 10. Retroactive Application of Marriage Penalty Conformity.** This section would retroactively eliminate for taxable year 2005, the addition for the difference between the federal and state standard deductions for married joint filers.

**Sections 11 and 12. Refunds and Appropriation.** Section 11 requires the commissioner of revenue to review returns that may be subject to liability under section 10, and adjust the tax liability accordingly. Section 11 also provides for refunds in cases where the amount of tax liability already paid is greater than the adjusted tax liability. In cases where the tax already paid is less than the adjusted tax liability, the taxpayer is not required to make additional payment. Section 12 appropriates funds from the Tax Relief Account to issue the refunds and pay for the administrative costs associated with issuing the refunds.

### **ARTICLE 3 SALES AND USE TAX**

**Section 1. Reinstatement of Sales Tax Permits after Revocation.** Changes the current mandatory language of Minnesota Statutes, § 270C.722, subdivision 2, relating to the 24-month revocation of a sales tax permit after three revocations in a five-year period, to permissive.

**Section 2. Milk Exemption.** Amends Minnesota Statutes, § 297A.61, subdivision 3, to exempt milk sold in vending machines from the imposition of sales tax.

**Section 3. Car Sharing Lease Tax Exemption.** Amends Minnesota Statutes, § 297A.64, subdivision 4, to exempt from the rental motor vehicle tax those vehicles that are leased by a dues-paying member of a nonprofit car sharing organization.

**Section 4. Re-refined Motor Oils Exemption.** Exempts re-refined motor oils from the imposition of sales tax.

**Section 5. Recycled Paper Exemption.** Exempts recycled copier and printing papers from the imposition of sales tax.

**Sections 6, 12, and 13. Commuter Rail System Fuel Exemption.** Exempts commuter rail system fuel from the imposition of sales tax.

**Section 7. Commuter Rail Construction Materials Exemption.** Exempts commuter rail materials, supplies, and equipment from the imposition of sales tax. The tax must be imposed and then refunded as provided in section 297A.75. Appropriates \$7,500,000 to the Commissioner of Revenue to pay the refunds. The exemption terminates when the amount appropriated is exhausted.

**Section 8. Voting Equipment Exemption.** Exempts from sales tax voting equipment purchased between January 1, 2006, and January 1, 2008, by a county to comply with the Help America Vote Act of 2002.

**Section 9. Itasca County Public Safety Radio Exemption.** Extends the sales tax exemption on products and services of the public safety radio communication system to include Itasca County.

**Section 10. Low-income Housing Construction Exemption.** Extends the current sales tax exemption on construction materials for low-income housing to limited partnerships where one of the sole or managing general partners is a nonprofit organization.

**Section 11. Hydroelectric Generating Facility Exemption.** Exempts from sales tax the materials and supplies used or consumed in the construction of a 10.3 megawatt hydroelectric generating facility in lower St. Anthony.

**Section 14. Duluth Food and Beverage Sales Tax.** Authorizes the city of Duluth to increase, by ordinance, its sales tax on food and beverages from the current rate of one and one-half percent to two and one-quarter percent. This section also changes the reduction rate of the tax and allows the city council to reduce the rate by one-half percent rather than the current reduction of to one-half percent when it determines that the tax has raised revenue sufficient to pay the debt service on \$8,000,000 principal of bonds issued for capital improvements to the Duluth Entertainment Center and \$4,970,000 principal of bonds for capital improvements to the Great Lakes Aquarium. This section also adds a reduction of three-quarters of one percent when the city council determines that revenue has been raised to pay debt service on bonds in the principal amount of \$33,700,000 issued for a new arena at the Duluth Entertainment and Convention Center.

**Section 15. Hermantown Local Option Sales Tax.** Allows the city of Hermantown to use its current local option sales tax revenue on additional facilities. This section also authorizes the city of Hermantown to issue up to \$13,000,000 in bonds to pay for the costs of the projects.

**Sections 16, 17, and 18. Proctor Local Option Sales Tax.** Authorizes the city of Proctor to impose an additional sales and use tax of one-half percent if approved by the city voters at a general election.

**Section 19. Winona Local Option Sales Tax.** Authorizes the city of Winona to use its already-existing sales and use tax for the additional purpose of paying the capital costs of flood control projects.

**Section 20. Worthington Local Option Sales Tax.** Extends the time for the city of Worthington to receive voter approval of its local sales and use tax.

**Section 21. Austin Local Option Sales Tax.** Authorizes the city of Austin, with voter approval, to impose a sales and use tax of up to one-half of one percent to pay for flood mitigation projects. This section also authorizes the city of Austin to issue \$14,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 22. Baxter Local Option Sales Tax.** Authorizes the city of Baxter, which has already obtained voter approval, to impose a sales and use tax of one-half of one percent and a \$20 motor vehicle excise tax to pay for a regional wastewater facility, building and equipping a fire substation, and constructing the Paul Bunyan Bridge over Excelsior Road. This section also authorizes the city of Baxter to issue \$15,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 12 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 23. Brainerd Local Option Sales Tax.** Authorizes the city of Brainerd, with voter approval, to impose a sales and use tax of one-half of one percent and a \$20 motor vehicle excise tax to pay for a regional wastewater facility, water infrastructure improvements, and trail development. This section also authorizes the city of Baxter to issue \$22,030,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 12 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 24. Breezy Point Local Option Sales Tax.** Authorizes the city of Breezy Point, with voter approval, to impose a sales and use tax of one-half of one percent and a \$20 motor vehicle excise tax to pay for sanitary sewer and storm sewer improvements. This section also authorizes the city of Breezy Point to issue \$11,000,000 in bonds to pay for the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 15 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 25. Cloquet Local Option Sales Tax.** Authorizes the city of Cloquet, with voter approval, to impose a sales and use tax of one-half of one percent and a \$20 motor vehicle excise tax to pay for park improvement projects and construction of improvements associated with the new Cloquet Industrial Park. This section also authorizes the city of Cloquet to issue \$9,000,000 in bonds. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 18 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 26. Ely Local Option Sales Tax.** Authorizes the city of Ely, with voter approval, to impose a sales and use tax of one percent to pay for: (1) land acquisition and site development; (2) installations of improvements authorized by Minnesota Statutes, chapter 429; (3) development or redevelopment activities in the central business district of Ely; (4) business park development; (5) development of a small business incubator; (6) development of a technology center; and (7) improvements to the Ely Community Center and City Hall as needed to bring them into compliance with the Americans with Disabilities Act. The sales tax is subject to approval by the voters at the next general election. If the voters approve the imposition of the tax, the city is authorized to issue up to \$6,000,000 in bonds to pay for the costs of the projects. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt

service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 27. Luverne Local Option Sales Tax.** Authorizes the city of Luverne to impose a sales and use tax of up to one-half of one percent to pay for capital improvements and renovation of the Historic Palace Theatre in an amount not to exceed \$3,000,000. The sales tax is subject to approval by the voters at the next general election. The city is also authorized to impose an excise tax of up to \$20 per motor vehicle purchased from a person engaged in the business of selling motor vehicles at retail within the city. If the voters approve imposition of the tax, then the city is authorized to issue up to \$3,000,000 without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 30 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 28. Medford Local Option Sales Tax.** Authorizes the city of Medford, with voter approval, to impose a sales and use tax of up to one-half of one percent to pay for improvements to the city's wastewater system and wastewater treatment plant. The sales tax is subject to approval by the voters at the next general election. If the voters approve imposition of the tax, then the city is authorized to issue up to \$5,000,000 in bonds without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 20 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 29. North Mankato Local Option Sales Tax.** Authorizes the city of North Mankato, with voter approval, to impose a sales and use tax of up to one-half of one percent to pay for (1) the local share of the marked Trunk Highway 14/County Aid-State Highway 41 interchange project, including a connection to the North Port Industrial Park and trail connections to the scenic byway along the Minnesota River, the Nicollet County Park, existing trails in the cities of North Mankato, Mankato and the Sakateh State Trail; (2) development of regional parks and biking trails in Caswell Park, Benson Park, and Spring Lake Park; (3) riverfront development projects; and (4) lake improvement projects. If the voters approve imposition of the tax, then the city is authorized to issue up to \$5,250,000 without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the later of 15 years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 30. Owatonna Local Option Sales Tax.** Authorizes the city of Owatonna, with voter approval, to impose a sales and use tax of up to one-half of one percent to pay for transportation projects, regional parks and trail developments, West Hills complex, firehall, library improvement projects, and a public safety radio system. If the voters approve imposition of the tax, then the city is authorized to issue up to \$13,200,000 in bonds without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire at the earlier of 10

years or when the city council determines that sufficient funds have been received to pay for the projects and the costs related to the issuance of the bonds.

**Section 31. Park Rapids Local Option Sales Tax.** Authorizes the city of Park Rapids to impose a sales and use tax of up to one percent to pay for (1) construction and operation of a community center; (2) capital improvement projects related to water, sewer, storm sewer, street improvements, new city water tower and well and highway 34; and (3) park improvements. If the voters approve imposition of the tax, then the city is authorized to issue bonds to pay for the projects without an additional referendum. The debt is not included in the municipal debt limitation and any levy of taxes to pay the debt service is not subject to any levy limitation. The tax will expire July 1, 2025.

**Section 32. Thief River Falls Community Center Exemption.** Retroactively exempts from sales tax the materials, equipment, and supplies used to construct a community or regional center in Thief River Falls.

#### **ARTICLE 4 FOREIGN OPERATING CORPORATIONS**

**Section 1** amends the definition of “foreign operating corporation.” It eliminates the current law requirement that the average of the corporation’s percentages of property and payrolls assigned to locations outside of the United States is 80 percent or more, and substitutes an option that at least 80 percent of its gross income from all sources in the tax year is active foreign business income.

**Section 2** provides the following additions to federal taxable income for corporations:

- interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer’s unitary group, to or for the benefit of a corporation that is a member of that group that qualifies as a foreign operating corporation;
- interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer’s unitary group;
- dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer’s unitary group equal to the dividends paid deduction of a real estate investment trust for amount paid or accrued by the real estate investment trust to the foreign operation corporation; and
- income of foreign operating corporation that is a member of the taxpayer’s unitary group in an amount that is equal to the gains derived from the sale of real or personal property located in the United States.

This section also provides that any amounts added into income under these provisions will reduce the current law addition for the amount of any deemed dividend from a foreign operating corporation.

**Section 3** provides that the subtraction from federal taxable income for a corporation for 80 percent of royalties or similar income derived from a foreign operating corporation is not applicable if the income resulting from the payments is income from sources within the United States, as defined under the Internal Revenue Code.

**Section 4** specified that when a corporation engages in a transaction whose primary business purpose is the avoidance of tax, or transactions without economic substance, that transaction will be disregarded, and the commissioner of revenue will determine the taxable net income without regard for that transaction.

**Section 5** provides that section 4 does not change Minnesota law, but merely clarifies the legislature's intention with respect to the described transactions.

## **ARTICLE 5 PROPERTY TAXES**

**Section 1. Business Subsidy.** Amends the business subsidy law to provide that it does not apply to property tax abatements granted to utility property.

**Section 2. Equalized Debt Service Levy.** Increases the first tier debt service equalization factor from \$3,200 to \$5,000 for FY08 and later.

**Section 3. Debt Service Appropriation.** Increases the amounts appropriated in FY08 and FY09 from the general fund to the Commissioner of Education for payment of the debt service equalization aid to conform with the equalized debt service levy factor increase in section 2.

**Section 4. Operating Capital Levy.** Increases the operating capital equalizing factor to \$22,222 for FY08 and thereafter.

**Section 5. Emergency medical services taxing districts.** Increases dollar limit on levies by emergency medical services special taxing districts from \$250,000 to \$400,000. The levy is still limited to no more than 0.048 percent of the taxable market value of the district.

**Section 6. Cross-reference.** Corrects a cross reference.

**Section 7. Native Prairie Exemption.** Extends the property tax exemption for native prairie lands to pasture land that is used for livestock grazing purposes if the pasture is covered by a grazing plan that is approved by the Commissioner of Natural Resources. This section also extends from 30 to 180 days the time frame during which the Commissioner of Natural Resources must determine whether the land is native prairie and notify the county assessor of that decision.

**Section 8. Biomass Generation Facility.** Extends the date by three years, from 2002 to 2005, that construction must begin by in order for a facility to qualify for a personal property tax exemption.

**Section 9. Small Biomass Generation Facility.** Extends the date by one year, from 2006 to 2007, that construction must begin by in order for a facility to qualify for a personal property tax exemption. The exemption is contingent on local approval of the municipality and the county where the facility is located.

**Section 10. Innovative Energy Project Personal Property.** Modifies the requirements for a property tax exemption that was granted to an electric generating facility. Under the current law, the facility was required to be sited on an energy park that was located on an active mining site, on a former mining or industrial site, where operations have terminated. This criterion is replaced with a requirement that the facility must be designated as an innovative energy project. The requirement that the facility have on-site access to existing railroad infrastructure is modified so that it must have access to existing railroad infrastructure within three miles. The requirements that the facility must have direct rail access to a Great Lakes port and have sufficient private water resources on site, are stricken and replaced by the requirement that this facility would have received approval from the governing body of the county, township, or city where it is located for the exemption of the personal property. Current law requires the construction of the first 250 megawatts of the facility must be commenced between January 1, 2002, and January 1, 2005. This provision would require construction of the first 500 megawatts between January 1, 2006, and January 1, 2010. Construction of an additional 750 megawatts of generation is required under current law to be commenced before January 1, 2010. This section extends that period for five years. It also provides that in order to obtain this exemption, the owner of the electric generating facility must have an agreement with the host county, township, or city and school district for payment in lieu of personal property taxes to those taxing jurisdictions.

**Section 11. Hydroelectric Facility Personal Property.** Provides an exemption for personal property of a 10.3 megawatt run-of-the-river hydroelectric generation facility. Construction must begin after April 30, 2006, and before January 1, 2009.

**Section 12. Wind Energy Conversion Systems.** Includes substations used and owned by one or more wind energy conversion facilities within the definition of "wind energy conversion system" for purposes of the property tax exemption.

**Section 13. Ag Homestead Valuation Indexing.** Requires the Commissioner of Revenue to annually increase the first tier limit for ag homestead property using the statewide average taxable market value of agricultural property per acre, using 1999 assessments as the baseline.

**Section 14. Aggregate Resource Preservation Property Tax Law** Establishes an Aggregate Resource Preservation Property Tax Program. (Similar to the Green Acres program) Real estate will be included under this program if it is classified as homestead or agricultural (homestead and nonhomestead) property, it contains at least ten contiguous acres, there are no delinquent taxes

and a covenant on the land restricts its use. In applying for the valuation deferment, the owner must provide proof that the land contains a restrictive covenant limiting its use for the property's surface to that which exists on the date of the application, and limiting its future use to the preparation and removal of the aggregate commercial deposit under its surface.

If it qualifies, the property would be valued as if it were agricultural property using a per acre valuation equal to the current year's per acre valuation of agricultural land in the county. The assessor must not consider additional value that would result from potential alternative and future uses of the property. Buildings would continue to be assessed as they are under current law.

The covenant may be canceled by the owner or by the municipality in which the property is located. If the owner cancels, there is a recapture of additional taxes. The additional taxes are determined by:

- (1) computing the difference between the actual taxes that were paid in the current year and the amount that would have been paid in the current year based on the assessor's current year estimated market value based on its highest and best use; and
- (2) multiplying the amount in (1) by the number of years the land was in the program. If the municipality cancels the covenant there is no recapture of the taxes. A county government is allowed to terminate the application of these sections prospectively within the county after giving notice and public hearing. When land that was in the program begins to be mined, it will be eliminated from the program, but with no recapture of taxes, and it will be classified and valued as commercial industrial property.

**Section 15. Homestead of Member of Military.** Provides that for a person who is absent from Minnesota solely because that person is on active duty with the armed forces, homestead classification may be granted to property acquired by that individual even if the property has not been occupied as a homestead by the person or a member of that person's family. In order to qualify, the person acquiring the property must notify the county assessor of the person's absence due to military service. When the person returns from service and notifies the assessor, the assessor must grant an abatement for the current year and the preceding two years.

**Section 16. Relative Homestead Registration.** Requires that if the owner of property that is classified as a relative homestead or the owner's relative who occupies that property receives compensation for allowing rental of any part of that property for a period that exceeds one month during the calendar year, the recipient of the compensation must register the property with the city in which the property is located no later than 60 days after the initial rental period began. Each city is required to maintain a file of these property registrations, that would be open to the public, and to retain these registrations for one year after the date of filing. This section is effective July 1, 2006, and applies to property located in a city with a population over 25,000.

**Section 17. Class 4d Qualification.** Extends the availability of the 4d classification for rental property occupied by low-income individuals in two ways. First, the requirement that the classification only applies to properties in which at least seventy-five percent of the units meet



the low-income qualification is stricken. Thus, if any number of units within a property meet the income restrictions, those units would qualify for the 4d classification. Second, the category under which units may qualify for this classification, if they are subject to rent and income restrictions under the terms of financial assistance provided to the property by the federal government or the state of Minnesota, is expanded to properties that receive this type of assistance from a local unit of government.

**Section 18. Ag Classification; Short Rotation Woody Crops.** Conforms to the changes made in section 13 that index the first tier of ag homestead value. This section also includes short rotation woody crops within the definition of agricultural products for purposes of qualifying for the agricultural classification, and adds enrollment in the native prairie bank to the definition of agricultural purposes. This section also includes land with a commercial aggregate deposit not actively being mined within the agricultural classification.

**Section 19. Utility Valuation Rules.** Provides that rules that are adopted by the Commissioner of Revenue that would prescribe the method of valuing the property of electric and transmission pipeline utilities would not take effect until the end of the regular legislative session in the calendar year following adoption of the rules. For example, if rules were adopted at any time during calendar year 2006, they would not be effective until the end of the regular 2007 legislative session.

**Section 20. Property Tax Statement; Targeting Refund.** Requires that for a property tax statement relating to homestead property, a notice must be printed on the front side of the property tax statement stating that the property may be eligible for a targeting refund regardless of the income of the property owner if the property tax has increased over the previous year's amount by more than the threshold percentage in law.

**Section 21. Abatements; Utility Property.** Modifies the general abatement authority provision to specify that an abatement may be current or prospective and may be granted by contract or otherwise by the governing body of the political subdivision. It also specifies that the abatement may apply to personal property and machinery. It authorizes the granting of the abatement if the governing body finds that it would be in the public interest to do so because granting the abatement will stabilize the tax base through equalization of the property tax revenues for a specified period of time with respect to a taxpayer whose property is valued under the rules that apply to utility property.

**Section 22. Abatements Duration.** Provides that the duration of the abatement, which is generally limited to 15 years, begins in the first year in which the abatement is either paid or retained. Economic abatement agreements for real and personal property of utilities are specifically excluded from the prohibition against granting successive abatements after the initial abatement has expired.

**Section 23. Abatements Extended Duration.** Adds utility businesses to the list of qualified businesses for which an abatement may be granted with an extended duration limit of up to 20

years. Under current law, the ability to grant abatements subject to this extended duration expires on July 1, 2004, but this bill provides that this authority to grant extended duration abatements as it applies to utility property does not expire.

**Section 24. Abatements Limit.** Exempts utility businesses from the limitation on abatements that exist under current law, which is equal the greater of ten percent of the total levy of the political subdivision or \$200,000.

**Section 25. Abatements Consent.** Provides that the current law that a political subdivision may abate taxes without obtaining the consent of the property owner does not apply to abatements granted to utility properties.

**Section 26. Abatements Applicability.** Provides that the application of the abatement laws to utility property applies only to property that is specified or described in an abatement contract or agreement.

**Section 27. Uncompensated Care Reimbursement.** Provides for a partial reimbursement of the cost of uncompensated care provided by qualifying hospitals in the metropolitan area. In order to qualify, a hospital must have a licensed bed capacity greater than 400 and must either be owned or operated by a local unit of government; be formerly owned by a university; or be a private nonprofit hospital that leases its building from the county in which it is located.

The county is eligible for reimbursement of the portion of gross charges for uncompensated care determined by multiplying the hospital's total gross charges during the base year by its percentage of uncompensated care, subtracting one half of one percent of gross charges, dividing the result by two and then multiplying by the hospital's cost to charge ratio during the base year. The amount of qualifying uncompensated care is certified as an addition to the fiscal disparities areawide levy. Effective for contribution and distribution tax capacities for taxes payable in 2008 and 2009 only.

**Section 28. Emergency Medical Services Levy Sunset.** Removes the sunset on the levy authorization for emergency medical services special taxing districts. Under current law, the authorization expires for taxes levied in 2009, payable in 2010.

**Section 29. Property Tax Certification; Rochester School District.** Extends the date required for certification of proposed property tax levies for Independent School District No. 535 in Rochester. Under current law, the deadline is September 30th. This section would extend that deadline to October 8<sup>th</sup> for 2007 only.

**Section 30. Rocori and Faribault Lease Levy.** Authorizes the Rocori and Faribault school districts to levy for administrative space if the districts can demonstrate that the administrative space is less expensive than the instructional space that the districts would otherwise lease.

**Section 31. Operating Capital Equalizing Factor.** Requires the Commissioner of Education to increase the operating capital equalizing factor to reduce the operating capital levy by \$2,593,000 in fiscal year 2008, and by \$2,259,000 in fiscal year 2009.

## **ARTICLE 6**

### **DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS**

**Sections 1 and 2. Homestead Resorts.** Amends Minn. Stat. § 273.13, subds. 22 and 25. These amendments are related to changes made by the 2005 Legislature for resorts located on lakeshore that also contain the homestead of the owners. Before 2005, the portion of the resort entitled to particular class rates was a defined geographic area; now, that portion is determined with reference to market values. These proposed changes clarify that the portion of the resort used for a homestead is a homestead for property tax purposes, not just subject to the same class rates as a homestead. This change will not increase or decrease any property's tax amount. Effective for taxes payable in 2006 and thereafter.

**Sections 3 and 4. Market Value Homestead Credits.** Amends Minn. Stat. § 273.1384, subds. 1 and 2. The changes in subd. 2 are substantive, and affect the amount of credit for ag-use properties that are part-homestead and part-nonhomestead, not because of how the property is used, but because of who lives there. These changes to subd. 2 (for ag properties) parallel the changes that were made to subd. 1 (for residential properties) in 2005; and, have the effect of preventing a part owner from having a larger credit (and a lower tax) than the full owner of the same-valued homestead. The changes to subd. 1 merely delete an obsolete reference, and make explicit the multiple pro-rations that must occur in the situation where only one spouse occupies the property, and the married couple itself is only a part-owner. Effective for taxes payable in 2007 and thereafter.

**Section 5. Disparity Reduction Aid.** Amends Minn. Stat. § 273.1398, subd. 3. The new language instructs the commissioner of revenue to delay for one year an aid adjustment related to changes in class rates, if sufficient information to make the adjustment is not available that year. Effective for taxes payable in 2006 and thereafter.

**Sections 6 and 7. Certificates of Forfeiture.** Amends Minn. Stat. §§ 281.23, subd. 9, and 284.07. In 2005, § 284.07 was amended to eliminate redundant references to both "recording" property-related documents (with the county recorder in the case of abstract property) and "filing" such documents (with the county registrar in the case of registered property). Under other changes made in 2005, the word "recording" now refers to both actions. The problem is that § 284.07 still refers to both "recording" and "filing" auditor's certificates of forfeiture. That, in turn, is related to the fact that § 281.23, subd. 9, currently tells the county auditor to "record" each certificate of forfeiture – using the formal definition of the word as described above; and also instructs the auditor to informally "file" a copy of each certificate in their own office. These changes: (1) eliminate the requirement, in § 281.23, subd. 9, that the auditor keep a copy of each certificate of forfeiture in their office (although they can continue to do so if they deem it appropriate); but, (2) continue to require, under § 284.07, that the county auditor make each certificate of forfeiture a part of the county's formal land records (by "recording" it with either the county recorder or registrar as appropriate). Effective the day following final enactment.

**Section 8. Aid Adjustments for Annexations.** Amends Minn. Stat. § 477A.014, subd. 1. This law requires the commissioner of revenue to make aid adjustments to reflect municipal annexations and other boundary or organizational changes that are effective on or before June 30 of the aid calculation year. These amendments will clarify that those adjustments can only be made if the needed information is certified to the commissioner by the respective responsible authorities by July 15 of the aid calculation year. Effective for aid payable in 2007 and thereafter.

## **ARTICLE 7**

### **DEPARTMENT OF REVENUE SALES AND USE TAXES**

**Section 1. Sale and Purchase of Food; Retail Sale; Services Between Affiliated Groups.** Minn. Stat. § 297A.61, subd. 3, deleting paragraph (d) to clarify that the sale and purchase of certain nonexempt foods is taxable, not the "preparing" of taxable food. In paragraph (g) deletes reference to "sales at retail," and inserts the defined term "retail sale" and provides that the exclusion for services between affiliated groups of corporations is limited to entities defined as "members of affiliated group" as defined under the Internal Revenue Code. Effective the day following final enactment.

**Section 2. Farm Machinery.** Amends Minn. Stat. § 297A.61, subd. 12, to clarify that farm machinery must be used in the agricultural production of tangible personal property intended to be sold ultimately at retail. This change is intended to restore language to the definition of farm machinery that was lost during recodification of the sales tax. Effective the day following final enactment.

**Sections 3 through 6. Definitions of Computer, Electronic and Computer Software.** Amends Minn. Stat. § 297A.61, subd. 17, and adds new subdivisions, so that the definitions of "computer," "electronic," and "computer software" apply wherever those terms are found in chapter 297A, rather than just in reference to prewritten software of subdivision 17. Effective the day following final enactment.

**Section 7. Logging Equipment.** Amends Minn. Stat. § 297A.61 by adding a subdivision that defines the term "logging equipment". This would codify the current department interpretation of "logging equipment." The subdivision provides the machinery and equipment must be used in the commercial cutting or removal of timber or wood products. The subdivision sets forth the types of machinery that would and would not qualify as logging equipment. Effective the day following final enactment.

**Section 8. Use Tax.** Amends Minn. Stat. § 297A.63, subd. 1 and 2, to delete the reference to "sales" price and inserts the defined term "purchase" price which is the correct measure in computing use tax. Subdivision 1 is amended to provide that if the sale of tangible personal property sold by a Minnesota retailer is sourced outside the state, the property is subject to the Minnesota use tax if the property returns to Minnesota, except if the property returns in the course of interstate commerce. Effective the day following final enactment.

**Section 9. Multiple Points of Use.** Amends Minn. Stat. § 297A.668, subd. 6, as a technical change, to remove the word "taxing" before "jurisdiction," to make the provision consistent with the Streamlined Sales Tax Agreement. Effective the day following final enactment.

**Section 10. Mobile Telecommunications Service.** Amends Minn. Stat. § 297A.669, subd. 11, to correct an incorrect cite to the Mobile Telecommunications Sourcing Act. Effective the day following final enactment.

**Sections 11 through 13. Meals, Food.** Amends Minn. Stat. § 297A.67, subds. 4, 5, and 6 to make a technical correction by replacing undefined terms with defined terms, and deleting superfluous terms. Effective the day following final enactment.

**Section 14. Computers.** Amends Minn. Stat. § 297A.67, subd. 14, to delete the references to a personal computer and instead use the defined term "computer." Effective the day following final enactment.

**Section 15. Sewing Materials.** Amends Minn. Stat. § 297A.67, subd. 27, to clarify the definition of the term "clothing" found in this subdivision. Effective the day following final enactment.

**Section 16. Job Opportunity Building Zones.** Amends Minn. Stat. § 297A.68, subd. 37, to clarify that the exemption for an aerial camera package is capped at \$50,000, regardless of the number of aerial camera packages qualifying for the exemption. Amends the subdivision to provide that equipment must be incorporated into the construction of the qualifying facilities in order to qualify for the exemption. Effective the day following final enactment for the provision relating to aerial camera packages and the provision relating to equipment incorporated into realty is effective for sales made after January 1, 2004.

**Section 17. Biotechnology and Health Sciences Industry Zone.** Amends Minn. Stat. § 297A.68, subd. 38, to provide that equipment must be incorporated into the construction of the qualifying facilities in order to qualify for the exemption. Effective for sales and purchases made after January 1, 2004.

**Section 18. Sales to Government.** Amends Minn. Stat. § 297A.70, subd. 2, by deleting the term "meals" and inserting references to prepared food, candy, and soft drinks, which are the types of food and food ingredients that are otherwise subject to the sales tax. Effective the day following final enactment.

**Section 19. Roads, trails or firebreaks.** Amends Minn. Stat. § 297A.70, subd. 3, to provide that removal of trees, bushes or shrubs for the construction and maintenance of roads, trails and firebreaks is exempt when purchased by a state agency or political subdivision. Effective for sales and purchases made after October 28, 2002, except that no refunds will be made if the tax was collected by a retailer and remitted to the state on land clearing contracts in effect after October 28, 2002, and before July 15, 2005.

**Section 20. Sales to Nonprofit Groups.** Amends Minn. Stat. § 297A.70, subd. 4, by deleting the term "meals" and inserting references to prepared food, candy, and soft drinks, which are the

types of food and food ingredients that are otherwise subject to the sales tax. Effective the day following final enactment.

**Section 21. Sales to Hospitals and Outpatient Surgical Centers.** Amends Minn. Stat. § 297A.70, subd. 7, by deleting the term "meals" and inserting references to prepared food, candy, and soft drinks, which are the types of food and food ingredients that are otherwise subject to the sales tax. Effective the day following final enactment.

**Section 22. Fund-raising Sales by or for Nonprofit Groups.** Amends Minn. Stat. § 297A.70, subd. 13, by deleting the terms "gum" and "candy products" from the list of items that qualify for the exemption for fund-raising sales made by youth groups since they would all fall within the defined term "candy." Effective the day following final enactment.

**Section 23. Fund-raising Events Sponsored by Nonprofit Groups.** Amends Minn. Stat. § 297A.70, subd. 14, by deleting the phrase "food, meals, and drinks" and inserting references to prepared food, candy, and soft drinks, which are the types of food and food ingredients that are otherwise subject to the sales tax. Effective the day following final enactment.

**Section 24. Statewide Amateur Athletic Games.** Amends Minn. Stat. § 297A.70, subd. 15, by deleting the phrase "food, meals, and drinks" and inserting a reference to prepared food, candy and soft drinks which are the types of food and food ingredients that are subject to the sales tax. Effective the day following final enactment.

**Section 25. Exemption Certificates.** Amends Minn. Stat. § 297A.72, subd. 2, to remove the requirement that exemption certificates must contain a description of the person claiming the exemption and must identify the property being purchased. These requirements are no longer required under the simplified exemption certificate process being used by the department. Effective the day following final enactment.

**Sections 26 through 28. Sales Tax Refunds.** Amends Minn. Stat. § 297A.75, subd. 1, 2, and 3, to correct an oversight in legislation passed in 2005. The law currently provides an exemption for purchases of an aerial camera package and certain purchases by a Meeker County electrical cooperative but in both cases the tax must be imposed and a refund claim filed. These amendments set up a mechanism to file the refund claims and provide that the refund claims must be filed by the owner of the qualifying business. This section also provides a refund mechanism for items purchased for use in an International Economic Development Zone. Effective the day following final enactment.

**Section 29. Motor Vehicle Lease Credits.** Amends Minn. Stat. § 297A.815, subd. 1, to provide that when credit is claimed at the early termination of a motor vehicle lease, upon which sales tax was paid at the origination of the lease, the credit cannot be transferred or assigned to another person. A person who was the lessee on a terminated lease must be the party who claims the credit on a subsequent lease or purchase of a motor vehicle. Effective for leases entered into after September 30, 2005.

**Section 30. Local Sales Tax.** Amends Minn. Stat. § 297A.99, subd. 7, to delete paragraph (b), since § 297A.68, subd. 15, is being repealed as the exemption is no longer needed under the sourcing rules found in § 297A.668. Effective the day following final enactment.

**Section 31. Land Clearing Contracts.** Modifies the effective date of a provision in the 2005 Tax Act relating to sales taxes on tree, bush and stump removal services performed as part of a land clearing contract. When purchased by a contractor or subcontractor for the purpose of developing a building site, these sales are exempt from tax effective for sales and purchases made after October 28, 2002 except that no refunds will be made if the tax was collected by a retailer and remitted to the state on land clearing contracts in effect after October 28, 2002, and before July 15, 2005.

**Section 32. Repealer.** Repeals Minn. Stat. § 297A.68, subd. 15, which provides an exemption for property delivered or shipped outside Minnesota by the seller. This exemption is no longer needed since, under the sourcing rules found in § 297A.668, a sale will be sourced to the location where receipt by the purchaser occurs if the purchaser does not receive the item at the business location of the seller. Effective the day following final enactment.

Repeals Minn. Stat. § 297A.68, subd. 18, which provides an exemption for custom computer software. This exemption is no longer needed since only prewritten computer software is defined as being tangible personal property. Custom computer software is not considered to be tangible personal property and is never subject to sales tax and therefore no exemption is necessary. Effective the day following final enactment.

Repeals the following sales and use tax rules that are obsolete or that merely duplicate statutory language: Minnesota Rules, parts 8130.0400, subp. 3 (rental of equipment by contractors); 8130.4800 (drugs, therapeutic and prosthetic devices); 8130.5100 (gifts; transfers without monetary consideration); 8130.5400 (clothing and wearing apparel); and 8130.5800, subp. 6 (occasional meals).

## **ARTICLE 8 DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES**

**Section 1. Dry Cleaner Registration Fee.** Amends Minn. Stat. § 115B.49, subd. 4, to allow the payment of the registration fee in four equal installments. Current law requires that the fee be paid one time annually. Effective for tax returns and payments due on or after October 1, 2006.

**Section 2. Deed Tax - Transfer to Obtain Financing.** Creates Minn. Stat. § 287.222 to tax deeds at \$1.65 that temporarily transfer property pursuant to a contract between an owner and a person who is a contractor or builder to enable the contractor or builder to obtain financing to build an improvement for the owner. Effective for deeds both executed and recorded on or after July 1, 2006.

**Section 3. Housing with Services Establishments.** Amends Minn. Stat. § 295.50, subd. 4, to clarify that housing with services establishments are excluded from the definition of health care provider. This exclusion is consistent with Minn. Stat. § 295.50, subd. 9b(b)(10), which excludes services to these establishments from the definition of patient services. This exclusion

replaces the exclusion for residential care homes licensed under Minn. Stat. ch. 144B. That chapter has been repealed. Effective the day following final enactment.

**Section 4. Separate Statement of Tax by Wholesale Drug Distributors.** Amends Minn. Stat. § 295.53, subd. 3, to clarify that wholesale drug distributors who itemize the tax cannot do so in a deceptive or misleading manner. They must not separately state the tax obligation on bills when the amount received by the wholesale drug distributor is not subject to the MinnesotaCare tax. This provision already exists in the law for hospitals, surgical centers, and health care providers. Effective the day following final enactment.

**Section 5. Weighted Average Retail Price.** Amends Minn. Stat. § 297F.01 by adding a new subdivision 22a to define the term, "weighted average retail price" to clarify how the figure is determined including that inflation should be factored into the department's annual calculation of the weighted average retail price of cigarettes. Effective April 30, 2006.

#### **Liquor Tax - Flavored Malt Beverages**

For purposes of imposing the liquor tax on malt beverages, the department is proposing to follow federal regulations (27 CFR Parts 7 and 25) that allow flavoring and other nonbeverage materials containing alcohol to be added to fermented malt beverages. The regulations provide that if the alcohol contribution from such flavors and other non beverage materials exceeds 49 percent of the alcohol content of the product then the tax will be the same as that imposed on distilled spirits.

**Section 6. Distilled Spirits.** Amends Minn. Stat. § 297G.01, subd. 7, to update the definition of distilled spirits to follow federal regulations that provide that a distilled spirit includes any beverage which would be classified as a flavored malt beverage except that the alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent of the alcohol content of the product. Effective July 1, 2006.

**Section 7. Flavored Malt Beverage.** Amends Minn. Stat. § 297G.01 to add a new subdivision 8a to follow federal regulations that define flavored malt beverage. Effective July 1, 2006.

### **ARTICLE 9 DEPARTMENT OF REVENUE MISCELLANEOUS**

**Sections 1 and 2. Clarifying the Definition of Electronic Means.** Amend Minn. Stat. §§ 270C.01, subd. 4 (definition of electronic means) and 270C.304 (definition of electronic filing and signature). The last sentence regarding touch tone phones in § 270C.304 is deleted and moved into § 270C.01, subd. 4. This makes the two definitions consistent. Effective the day following final enactment.

**Section 3. Order of Assessment for Certain Kinds of Penalties.** Amends Minn. Stat. § 270C.33, subd. 4. A provision is added for assessing penalties in the same manner as a tax order when there is no underlying tax obligation. This procedure applies to penalties such as a tax preparer penalty, penalty for submitting a materially incorrect W-4, penalty for filing frivolous liens against Department of Revenue employees, and penalties for failing to file certain information returns. Effective the day following final enactment.



**Section 4. Business Successor Liability.** Amends Minn. Stat. § 270C.57, subd. 3, to clarify that orders assessing successor liability are only made against businesses. The statute provides a remedy for holding a successor business liable for the unpaid sales and withholding taxes of a former business. However, because of the definitions of "person" and "successor," there is some ambiguity as to whether successor liability applies to individuals. Effective the day following final enactment.

**Sections 5 and 6. Personal Property Exemption for Liens and Levies.** Amend Minn. Stat. § 270C.67 (levy statute). The current personal property exemption is deleted from subdivision 1, and a new subdivision 1a is added that incorporates the personal property exemption from the lien statute (§ 270C.63, subd. 8). This makes the personal property exemption for both liens and levies the same. Effective the day following final enactment.

**Section 7. Interest Start Date on Tax Court Awarded Refunds.** Amends Minn. Stat. § 271.12, which currently provides that interest on a tax refund awarded by the Tax Court starts from the date the overpayment was made. This is not consistent with income tax refunds, where interest starts 90 days after the due date of the return, or with sales tax refunds, where interest starts 90 days after the filing date of the refund claim. Clarifying language is therefore added for the Tax Court to apply a different start date for interest accrual when provided for by another law. Effective the day following final enactment.

**Section 8. Tax Shelters; Special Rules.** Amends Minn. Stat. § 289A.121, subd. 5, to clarify that the due date of the tax return upon which reportable transactions must be disclosed is the extended due date of the tax return. Without this clarification some taxpayers would be required to file a copy of a federal disclosure form with the Department of Revenue prior to the time at which they are required to file it with the Internal Revenue Service. Effective for reportable transactions in which the taxpayer participated for taxable years ending before December 31, 2005.

**Section 9. Clarifying the Assignment of Deductions to Domicile.** Amends Minn. Stat. § 290A.17, subd. 1(b), to clarify that deductions are assigned to Minnesota only when the deductions are definitely related to items of income that are assigned to Minnesota. Effective the day following final enactment.

## **ARTICLE 10 PUBLIC FINANCE**

**Section 1** provides that definitive drainage bonds will no longer be required to be sold for at least their par value. Instead, they will be sold in accordance with the general provisions applicable to municipal debt which would allow them to be sold at a discount.

**Section 2** provides that bonds issued by a county to meet the cost of establishing and constructing a public sewer and water system could have a term of 40 years, or the useful life of the asset, whichever is less, if the improvement is financed or guaranteed by the U.S. Department of Agriculture. Current law limits bonds for this purpose to 30 years.

**Section 3** amends the provision that limits the amount of obligations that may be issued by a city with a population of 5,000 or more for the purpose of building or improving municipal state-aid streets. The current law limits the obligations such that the average annual amount of principal and interest due in all subsequent calendar years on the obligations may not exceed 50 percent of the amount of the last annual allotment preceding the bond issue that was received by the municipality from the municipal state-aid street fund. This bill increases that threshold to 90 percent and removes the exception for bonds that were purchased by the municipality from an account of its own funds.

**Section 4** provides a similar increase for county bonds for county state-aid highways.

**Section 5** provides that for purposes of determining any net debt limit based on market value, or any limit on the issuance of obligations based on market value, the terms “market value,” “taxable market value,” and “market valuation” means the taxable market value as last finally equalized. Under current law, these definitions refer to the taxable market value for the previous assessment year.

**Section 6** establishes a process for establishment of a subordinate service district that would include a street reconstruction plan. The town may include the approval of the street reconstruction plan and the issuance of obligations for the street reconstruction project in the notice of public hearings or the hearing required on the establishment of the district. The issuance of the obligations will be subject to the current law requirement for a reverse referendum. These obligations would be subject to net debt limits under current law.

**Section 7** provides that the procedure for removal of a subordinate service district from a town would not apply when obligations for the street reconstruction project remain outstanding.

**Section 8** extends the application of the county credit enhancement program to bonds that are issued by a governmental entity other than a county, but to which the general obligation of the county is pledged under the HRA law, and adds qualified housing development projects to the list of construction projects that are eligible for this program.

**Section 9** authorizes housing and redevelopment authorities to sell bonds in the manner that the authority determines to be in its best interest, striking the requirement that the bonds must be sold at not less than par.

**Section 10** extends the maximum maturity for revenue bonds issued by an economic development authority from 20 years to 30 years from the date of issuance.

**Section 11** provides that an interfund loan must be authorized by resolution of the authority that has jurisdiction over the fund from which the advance or loan is made. Current law requires that the resolution must be made by the governing body.

**Section 12** authorizes the Metropolitan Council to issue obligations in an amount of up to \$32,800,000 for capital expenditures prescribed in the Metropolitan Council's regional master plan and transit capital improvement program.

**Section 13** reduces from three to one calendar year the period during which the Minnesota Higher Education Services Office (HESO) may carry forward its bond allocations for student loan bonds and strikes the \$25,000,000 limitation on the maximum cumulative carry forward for the allocation.

**Section 14** adjusts the limitations on amounts of capital improvement bonds that may be issued by cities. Current law makes this program available only if the municipality is issuing bonds for which the maximum debt service to become due in any year on all bonds issued under this provision does not exceed 0.16 percent of the taxable market value of the property in the municipality. This provision would make the limitation either that which is imposed under current law or \$100,000, whichever is greater.

**Section 15** amends a provision from the 2005 Public Finance bill which authorized the Commissioner of Iron Range Resources and Rehabilitation to issue \$15,000,000 of revenue bonds to be used to fund projects in school districts in the Taconite Tax Relief Area. Under this provision, the commissioner will be required, rather than permitted, to issue the bonds, and the amounts of issuance will be increased by amounts sufficient to pay the cost of issuance of the bonds. The provision also specifies the amounts to be distributed to each of the 15 school districts in that area out of the proceeds of the bonds.

**Section 16** changes the name of the Carver County Housing and Redevelopment Authority to the Carver County Community Development Agency.

**Section 17** permits the city of Winsted to issue general obligation bonds to finance a public works facility, and a facility that includes a city hall, community center, and police station. The bonds may be issued without an election and are not subject to the city's net debt limits. The principal amount of the bonds is limited to \$5,000,000, plus the cost of issuance and capitalized interest.

**Section 18** provides for allocations of bonding authority from the unified pool before October 1, 2006. The allocations would be awarded in the following order: (1) applications for student loan bonds issued by HESO; (2) applications for residential rental project bonds; (3) applications for small issue bonds for manufacturing projects; and (4) applications for small issue bonds for agricultural development bond loan projects.

**Section 19** provides for allocations from the unified pool from the first Monday in October 2006, through the last Monday in November 2006.

**Section 20** provides that the total amount of allocations for student loan bonds from the unified pool in calendar year 2006 may not exceed 50 percent of the total in the unified pool on the day after the last Monday in July 2006.

**Section 21** authorizes the city of Pennock to purchase a parcel of real estate within the city and expend city funds to make necessary improvements to the structure on the site. The city is authorized to issue up to \$250,000 in general obligation bonds without a referendum to finance the project. Once acquired and improved, the city is authorized to convey the property by sale or lease for a nominal consideration or based on other terms and conditions in order for the building to be operated as a commercial establishment.

**Section 22** provides that the Metropolitan Council bonding provision applies in the seven-county metropolitan area.

## **ARTICLE 11 LOCAL DEVELOPMENT**

**Sections 1 and 2. Mortgage Registry and Deed Taxes; Hennepin and Ramsey Counties.** Extends by five years the expiration date on the authority provided to Ramsey County and Hennepin County to impose a mortgage registry tax at the rate of .0001 of the principal and a deed tax at the rate of .0001 of the taxable amount. The laws authorizing these local taxes were enacted in 1997, and the revenues received from the taxes were required to be placed in environmental response funds for each county. Each county's law currently provides that the authority to impose the taxes expires January 1, 2008.

**Section 3. St. Louis County Deed and Mortgage Tax.** Authorizes St. Louis County to impose mortgage registry and deed taxes at a rate of 0.0001 percent. The county's authority to impose the tax expires January 1, 2013.

**Section 4. St. Louis County Environmental Response Fund.** Establishes a St. Louis County Environmental Response Fund for the purpose of acquiring polluted land and remediating contamination. Provides that proceeds of the St. Louis County mortgage and deed taxes imposed under section 3 will be deposited in the Environmental Response Fund.

**Section 5. Dakota County Deed and Mortgage Tax.** Authorizes Dakota County to impose mortgage registry and deed taxes at a rate of 0.0001 percent. The county's authority to impose the tax expires January 1, 2013.

**Section 6. Dakota County Environmental Response Fund.** Establishes a Dakota County Environmental Response Fund for the purpose acquiring polluted land and remediating contamination. Provides that proceeds of the Dakota County mortgage and deed taxes imposed under section 5 will be deposited in the Environmental Response Fund.

**Section 7. County and School Comments.** Modifies the process by which tax increment financing authorities solicit comments from the affected counties and school districts. The description of borrowing costs in the statement of fiscal and economic implications is limited to

the effects of issuing general obligation TIF bonds on the ability to issue bonds for general fund purposes. Limits the additional information that the school district or county can request from the TIF authority to matters related to size, timing, or type of development in the district, and limits the time a city or county has to request additional information to 15 days after receipt of the plan; making such a request would not require additional notice before approval of the district.

**Section 8. Plan Modifications.** Eliminates the requirement of 30-day published notice and public hearing before the authority adopts modifications to the TIF plan that change the amount of capitalized interest.

**Section 9. Annual Disclosure.** Eliminates the requirement to send the annual TIF statement to the school district.

**Section 10. Duration Limits.** Allows a TIF authority and municipality to modify a duration limit in the TIF plan that was shorter than the maximum statutory duration limit by following the plan amendment procedure.

**Section 11. TIF Administrative Expenses.** Provides that no administrative expenses or consulting costs incurred before a tax increment district is certified may be paid from the tax increment of the district.

**Sections 12 to 14. Bioscience Zone TIF.** Provides that limitations on use of tax increment from a biotechnology and health sciences industry zone also apply to existing tax increment districts located within such a zone; expenditures for public infrastructure necessary to support zone activities are considered expenditures within the district for purposes of the pooling restrictions, including the five-year rule; and excess revenues may be used to pay the costs of infrastructure. Sections 12 and 13 also clarify the application of the five-year rule and the provisions governing use of revenues for decertification to qualified housing expenditures.

**Section 15. Pooling for Deficits.** Clarifies that a TIF authority may transfer increments to cover deficits caused by the 1997-2001 property tax changes without modifying the TIF plan.

**Section 16. Adjustment to Original Net Capacity.** Provides that improvement to tax-exempt property are excluded from original net tax capacity, if they were made after approval of the TIF plan, rather than after certification of the district.

**Section 17. Suspension of Distribution of Increment.** Advances the date for withholding increments from authorities that fail to file disclosures with the Office of State Auditor from the third Tuesday in November to October 1, and increases the percentage of the first distribution of increment withheld from 25 percent to 100 percent.

**Section 18. JOBZ Duration.** Provides that in the case of a qualified business operating an ethanol plant for which the business subsidy agreement was executed after April 30, 2006, the zone duration limit is extended by three years.

**Section 19. Referendum Exemption for TIF Bonds.** Clarifies the language of the referendum exemption for TIF bonds. Under present law, general obligation TIF bonds are not subject to the referendum requirement if they meet the rules that exempt special assessment bonds (i.e., 20 percent of the cost is covered by increments). Present law applies this 20 percent test using pure tax increments (i.e., the actual taxes paid by captured tax capacity) as the measure of increment. The section changes this to refer to defined "increments" under the tax increment act. The change will allow other forms of revenues (e.g., interest of TIF balances, repayments by developers, and so forth) to be used to satisfy the 20 percent test.

**Sections 20 and 21. Brooklyn Park TIF.** Allows the city of Brooklyn Park to use all of the revenue generated from tax increment in any year that is not expended pursuant to a pledge given or encumbrance created before January 1, 2006, to be deposited in the housing development account of the authority. Currently the city is allowed to deposit 15 percent of the revenue from the tax increment into the housing development account. The revenue may be used for owner occupied housing or rental housing.

**Section 22. Anoka County Deed and Mortgage Tax.** Authorizes Anoka County to impose mortgage registry and deed taxes at a rate of 0.0001 percent. The county's authority to impose the tax expires January 1, 2013.

**Section 23. Anoka County Environmental Response Fund.** Establishes an Anoka County Environmental Response Fund for the purpose acquiring polluted land and remediating contamination. Provides that proceeds of the Anoka County mortgage and deed taxes imposed under section 14 will be deposited in the Environmental Response Fund.

**Section 24. Brooklyn Park TIF District Extension.** Extends the duration of the Brooklyn Park economic development district to December 31, 2020.

**Section 25. Burnsville Northwest Quadrant TIF.** Defines the project area for the northwest quadrant tax increment financing district as a specified geographic area in the city, and defines a soils deficiency district to mean a district that contains unusual terrain or soil deficiencies for 80 percent of the acreage in the district where the estimated cost of physical preparation of that district, excluding certain road and local improvement costs, would exceed the fair market value of the land before completion of the preparation. The special rules that apply to this district include the following:

- the five-year rule that requires substantial completion of activities within a district is extended to ten years;
- the general prohibition on pooling does not apply, but increments may only be expended on improvements within the project area defined in the bill;
- in the case of a soil deficiency district, increments may be collected for 20 years (general law) and may be used only to acquire parcels on which the improvements must occur, to pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements that are directly caused by the deficiencies, and to pay for the administrative expenses of the authority that are applicable to that district; and

- increments spent for any infrastructure costs are deemed to satisfy the requirement of the laws regarding expenditures for tax increments for soil condition districts and redevelopment districts and the requirements of this act.

The authority to approve a plan for such a district would expire at the end of 2026.

**Section 26. Burnsville Heart of the City TIF District.** Applies to the heart of the city tax increment financing district. It provides that the five-year rule would be extended to ten years for tax increment derived from a specifically described parcel within that district.

**Section 27. Detroit Lakes Redevelopment Tax Increment Financing District.** Authorizes the city of Detroit Lakes, or the Detroit Lakes Development Authority, to create one or more redevelopment districts within a geographic area that is described in this section. The district is deemed to be a redevelopment district, and all buildings that must be removed in order to facilitate the Highway 10 realignment project are deemed to be structurally substandard for purposes of the tax increment financing law. The limitation in current law that a parcel is deemed to be occupied by a structurally substandard building if it had been occupied by the building within three years of the filing of the request for certification of the parcel as part of the district is made inapplicable to this district. The authority to approve tax increment financing plans to establish any of these districts expires on December 31, 2014.

**Section 28. Elgin, Eyota, Byron, and Oronoco.** Allows the cities to be considered "small cities," for purposes of the tax increment financing law, notwithstanding the existing statutory restriction that a small city must be located at least ten miles away from a Minnesota city with a population of 10,000 or more. The tax increment financing law provides that tax increment from an economic development district in a small city may be used to provide assistance for up to 15,000 square feet of any separately owned commercial facility within the small city. Cities other than small cities are restricted in the uses of tax increments from economic development districts. Those revenues may not be used to provide improvements or other assistance to developments consisting of buildings and facilities if more than 15 percent of the buildings and facilities are used for purposes other than manufacturing, warehousing, research and development related to the manufacturing or warehousing, telemarketing, tourism facilities, qualified border retail facilities or space necessary for those activities.

**Section 29. Minneapolis Homeless Assistance TIF District.** Allows creation of a homeless assistance TIF district within the city of Minneapolis. The district must be no larger than six acres, be located within a municipal development district and include at least two shelters for homeless persons that are owned or operated by qualified charitable organizations. No less than 40 percent of the increment is required to be used to provide emergency shelter and services for homeless persons.

**Section 30. New Brighton TIF.** Allows the city to expend tax increments from TIF District 26 outside the district for designated purposes.

**Section 31. Ramsey TIF.** Authorizes the city of Ramsey to establish a district within a specified area of the city. The district would be subject to certain special rules:

- the district would be deemed to be a redevelopment district without being required to meet the statutory requirements that apply to designation of a redevelopment district; and
- the prohibition on inclusion of parcels that had been subject to green acres or the open space law, or the Metropolitan Agricultural Preserves Act, is made inapplicable to this district.

Housing that will receive assistance from the increments must meet the requirements of current law relating to housing districts. Increments from the district must be used only to pay for costs related to the Sunwood on Grand project, including land acquisition, public infrastructure, parking ramps, and administrative expenses.

**Section 32. St. Michael.** Authorizes the city of St. Michael to establish a redevelopment tax increment financing district within a described area, including the downtown and town center areas, as well as all parcels adjacent to Highway 241 within the city. The bill provides that this district will be considered a redevelopment district, notwithstanding the requirements that would ordinarily apply to the area to be designated as a redevelopment district. The bill provides that tax increments from this district may be used for land acquisition, removal of buildings in the highway right-of-way acquisition area, and other costs incurred by the city of St. Michael in the expansion and improvement of Highway 241 within the city. Thus, the expenditures would not be subject to the usual restrictions in the tax increment financing law that provide that the revenues must be used for the general purposes of the authority, as well as the requirement that within a redevelopment district, 90 percent of the revenues must be used to finance the cost of correcting conditions that allow designation of the area as a redevelopment district. The limitation on the amount of acreage that may be acquired and held by a redevelopment agency at any one time is made inapplicable to this project.

**Section 33. Kittson County JOBZ.** Authorizes a food service business to be qualified for JOBZ benefits if the business began operations in January 2004 with an employment between 15 and 20 full and part-time employees. In order to qualify, the business must be located in a county with a population less than 5,000 in 2004 and which had a population decline of at least 7.5 percent between 2000 and 2004.

**Section 34. Repealer.** (a) Repeals the exemption from § 273.1399 for the Brooklyn Park economic development tax increment financing district.

Paragraph (b) repeals a provision relating to agreements involving a Bloomington TIF district, which is no longer included in this bill.

**Section 35. Repealer.** Repeals a 1998 special law that authorized creation of a soils condition tax increment financing district in the city of Burnsville for an amphitheater and related infrastructure improvements. The balance of tax increments that have been derived from that district at the current time are required to be returned to the county for distribution under the law providing for the use of excess increments.



## **ARTICLE 12 AIDS AND CREDITS**

**Section 1. City Aid Base Adjustments.** Provide temporary aid increases for the cities of Osseo and Newport. Osseo receives an increase of \$89,000 in Local Government Aid for the years 2007 through 2011. Newport receives an additional \$50,000 for the years 2007 through 2016.

**Section 2. City Formula Aid.** Provides that the need increase percentage in the Local Government Aid formula is equal to 100 percent for aids payable in 2007 and thereafter.

**Section 3. City Aid Maximum.** Eliminates the maximum limit on Local Government Aid that a city can receive for aids payable in 2007 and thereafter. This section also strikes obsolete language relating to the amount of aid payable to cities in 2004.

**Section 4. Aid Appropriation.** Appropriates \$41,000,000 in fiscal year 2007 to the Commissioner of Revenue to be used for LGA distributions in 2007 and 2008. The appropriations do not cancel and are available until spent.

**Section 5. Appropriation Limit.** Eliminates the appropriation cap on the Local Government Aid distribution for aids payable in 2007 and thereafter. This section also provides a cross reference to the onetime 2006 aid provided to cities in section 7.

**Section 6. Market Value Credit Reimbursement.** Restores the market value credit reimbursement to cities for taxes payable in 2006.

**Section 7. Onetime Additional City Aid.** Provides an additional payment of Local Government Aid to cities in 2006. The additional aid is calculated from the 2006 distribution by adding an additional year of inflation to revenue need; eliminating the taconite aid offset; setting the need increase percentage to 100 percent; eliminating the maximum limit on aid to individual cities and requiring that no city can receive less than it was certified to receive in 2006. The additional aid is paid in three installments and the amount necessary is appropriated from the General Fund to the Commissioner of Revenue.

**Section 8. County Targeted Case Management Aid.** Provides an aid distribution to counties to offset reductions in federal aid for targeted case management resulting from the Deficit Reduction Act of 2005. The aid is distributed in 2006 and 2007 based on each county's share of children's social services and mental health services. The aid is limited to \$40 million in 2006 and \$20 million in 2007.

**Section 9. Mahnomen County Temporary Aids.** Provides a onetime aid payment to Mahnomen County and the city of Mahnomen to compensate for the loss of property tax revenue resulting from property in the city of Mahnomen placed in trust status during calendar year 2006. The total amount aid for the county and city is limited to \$600,000.

**Section 10. County referendum cost reimbursement.** Provides that if laws are enacted in 2006 requiring a referendum in 2006 on a proposed constitutional amendment, \$122,000 is

appropriated from the General Fund to the Commissioner of Revenue to be distributed to the counties in proportion to each county's share of the states registered voters.

**Section 11. Local Trunk Highway Improvements.** Appropriates \$5,000,000 to the Commissioner of Transportation for distributions of \$2.5 million to the city of Nisswa and \$2.5 million to the city of Pequot Lakes to pay the local share of trunk highway improvement projects.

## **ARTICLE 13 MINERALS**

**Section 1** provides the definition of "producer" for the mining taxes article.

**Section 2** reduces the rate of the occupation tax that applies to ores other than iron ore or taconite from 9.8 percent to 2.45 percent.

**Section 3** provides that if more than one mineral, metal, or energy resource is mined and processed at the same mine and plant, the gross income for each of those items must be determined separately, but then may be combined on one occupation tax return for producers of ores other than taconite or iron ore.

**Section 4** provides that deductions from a mine or plant that mines and produces more than one mineral, metal, or energy resource, other than iron ore or taconite, must be determined separately for the purposes of computing the deduction, but then may be combined on one occupation tax return.

**Section 5** reduces the rate of the occupation tax on producers of iron ore and taconite from 9.8 percent to 2.45 percent.

**Section 6** provides that if iron ore or taconite and another mineral, metal or energy resource are mined and produced at the same mine and plant, the gross income for each of these products must be determined separately from the mine value for the iron ore or taconite. Those items of gross income may be combined on one occupation tax return.

**Section 7** provides that deductions from a mine or plant that mines and produces iron ore or taconite, and another mineral or metal, must be determined separately for purposes of computing the deduction for percentage depletion, but then those deductions may be combined on one occupation tax return.

**Section 8** provides that if a person is engaged in the business of mining or producing both (1) iron ores, taconite concentrates, or direct reduced ore, and (2) other ores from the same mine or facility, the producer must determine the mine value of (1) the iron ore, taconite concentrates, and direct reduced ore separately from (2) the amount of gross proceeds from mining other ores. The ratio of the mine value from the iron ore, taconite concentrates, and direct reduced ores, to

gross proceeds from mining other ores, is required to be applied to the deductions that are common to both processes in order to determine taxable income, for the separate occupation tax paid on taconite and iron ore and the tax paid on other mineral resources.

**Section 9** provides that the proceeds of the taconite occupation tax that are not apportioned under current law for the support of elementary and secondary schools, or the university will be apportioned to the Minnesota Minerals 21<sup>st</sup> Century Fund.

**Section 10** provides an additional purpose for expenditures from the taconite environment protection fund, that is, to local renewable energy investments undertaken in cooperation with local units of government and mineland areas, reforestation, reclamation, or development projects. The IRRRB is required to approve the projects, which must be located within the Taconite Assistance Area. The board is authorized to enter into joint ventures with public or private entities for these projects.

**Section 11** provides that if a producer uses money from the Taconite Economic Development Fund to buy haulage trucks, mobile equipment, and mining shovels more than once in a three-year period, the second and subsequent purchases of those equipment items must be assembled by employees of the producer, on the producer's property in the state.

**Section 12** provides that for taxes paid in 2007 and subsequent years, two cents per taxable ton of the production tax will be allocated to the city or town which includes the area from which the taconite was mined or quarried, or within which the concentrate was produced. If those activities are carried out in more than one taxing district, the Commissioner of Revenue is required to equitably apportion the proceeds by attributing 50 percent of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration.

**Section 13** incorporates a reference to the change in distribution required under section 16.

**Section 14** increases from .20 cent to .30 cent per ton of the production tax proceeds to be paid to the Range Association of Municipalities and Schools. Effective for taxes paid in 2007 and later years.

**Section 15** provides that 4.4 cents of production tax proceeds is allocated to the Taconite Environmental Protection Fund to be used for the local renewable energy investments, mineland reclamation, and other projects provided under section 10.

**Section 16** modifies the distributions from the Grant and Loan Fund. Under current law, for distributions in 2008 and later years, amounts would be allocated to joint ventures with mining companies, for reclamation of lands containing abandoned or worked out mines to convert those lands to marketable properties. This section would require that the first \$2,000,000 of the 2008 distribution would be paid to St. Louis County for its Road and Bridge fund to be used for the relocation of St. Louis County Road 715, Pike River Road. \$250,000,000 must be paid to the Hibbing Public Utilities Commission for a new well. The remainder of the 2008 distribution and the full amount of subsequent distributions would be allocated for local renewable energy investments.

**Section 17** provides that for distributions in 2007 only, a special fund is established to receive 38.4 cents per ton that would otherwise be distributed into a property tax relief account. The provisions specifies 19 different projects and locations for the distributions and specifies the amount that will go to each project.

**Section 18** authorizes Sylvan Township to impose an aggregate tax if Cass County does not choose to impose the tax and approves the imposition by the township. If the county subsequently imposes an aggregate materials tax, then the tax imposed by Sylvan will terminate.

**Section 19** provides a transitional credit for producers that have an alternative minimum tax credit when the AMT is repealed; the credit may be taken against the occupation tax.

**Section 20** repeals the alternative minimum taxes that applies to taconite and other mineral producers, effective for tax years after 2005.

## **ARTICLE 14 MISCELLANEOUS**

**Section 1. Council on Disability Sunset.** Extends the sunset of the Council on Disability from 2007 to 2011.

**Section 2. Revenue Collection.** Removes the restriction on the types of debts for which government entities can act as claimant agencies.

**Section 3. Electronic Processing of Returns.** Requires the Department of Revenue to participate with the federal government's electronic processing of returns program.

**Sections 4, 6, 7, 10, 11, 12, 13, 14 and 15. International Economic Development Zone.** Delays the timing of implementation of the International Economic Development Zone provisions adopted in 2005. Section 8 eliminates the provision that applies the property tax exemption for international economic development zone properties beginning with the first assessment year after designation of the zone. Section 10 provides that the exemption from the minimum fee on business entities within a zone applies to taxable years beginning during the duration of the zone. Section 11 provides that the definition of Minnesota property for purposes of the minimum fee excludes property of a qualified business in an international economic development zone for the years beginning during the duration of the zone. A similar provision is made with respect to the definition of Minnesota payrolls. Section 14 provides that the sales tax exemption for purchases by qualified businesses for use in an economic development zone will apply after final designation of the zone and before its expiration. Current law had provided some specific dates for which early purchases would qualify for this exemption, but they have been made unnecessary because of the delay in the implementation of this program. Section 18 provides that the a city, town, county, or other political subdivision may apply for the right to use foreign trade zone powers provided under federal law. Joint applications may be made by two or more of these political subdivisions. Section 19 delays from June 30, 2006, to June 30, 2008, the day by which final international economic development zone designations must be made. The beginning of the zone duration is delayed from January 1, 2007, to January 1, 2010. Section 20

requires that the findings of the business plan that is required before designation of a zone, must be provided to the legislature, and to the chairs of the legislative committees with jurisdiction over transportation and economic development. Section 21 provides that the jobs credit is available only during tax years beginning during the duration of the international economic development zone, and modifies the base year to mean the taxable year beginning during the calendar year immediately preceding the calendar year in which the zone begins. The period for the inflation adjustment of the credit is advanced by four years. Section 22 provides that the \$750,000 appropriation for grants to qualifying businesses will remain available for distribution until 2010. Under current law, the money was to remain available through fiscal year 2007.

**Section 5. Electronic Filing of W-2s.** Requires those employers who must electronically remit deposits for wages to also electronically file W-2s.

**Section 8. Health Care Research Credit.** Increases the health care research credit from 2.5 to five percent of revenues. This section also increases the credit cap from \$2,500,000 to \$7,000,000.

**Section 9. Sports Memorabilia Tax.** Imposes a 13 percent wholesale tax on sports memorabilia.

**Section 16. Property Tax Refunds for Tuition Discounts.** Prohibits the disallowance of any part of a property tax refund claim filed in 2005 or before that did not include as income the cash value of a tuition discount by a postsecondary educational institution. This section also provides for refunds to taxpayers who were required to repay part of a property tax refund based on inclusion of tuition discounts as income.

**Section 17. Joint Study of Compensation of Tax Compliance Auditors.** Orders the commissioners of the Departments of Revenue and Employee Relations to conduct a study on the competitiveness of compensation and the performance of tax compliance auditors within the Department of Revenue. The study must be completed by October 15, 2006, and the commissioner of employee relations must implement its recommendations.

**Section 18. Study of Sales and Use Tax Compliance Assistance.** Orders the commissioner of revenue to study and implement procedures and services to assist sales and use taxpayers of limited English proficiency in complying with the sales and use tax laws. The commissioner must also study how the Department of Revenue can better assist telephone callers with limited English proficiency. The commissioner is ordered to report on the results of the study and a plan to implement them to the senate and house of representatives tax committees by February 1, 2007.

**Section 19. Transfer from the Tax Relief Account.** Transfers any money in the tax relief account to the general fund.

**Section 20. Cook-Orr Hospital District.** Allows the Board of the hospital district to enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota Chippewa that would permit reservation lands to be included in the territory of the hospital district.

**Section 21. Appropriation for Minneapolis Public Safety.** Appropriates \$2,000,000 from the general fund to the commissioner of public safety to be used to reimburse state and local law enforcement agencies for additional law efforts focused on downtown Minneapolis.

JZS/MJA/JP:dv

**H.F. 3374 Omnibus Taxes Bill passed by the Senate Taxes Committee on May 10, 2006.**  
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May 11, 2006

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Dollars in Thousands				Senate FY 2006	Senate FY 2007	Senate FY 2006-07	Senate FY 2008	Senate FY 2009	Senate FY 2008-09
Line#	Bill #	Author	Fund						
1	<b>GENERAL FUND REVENUE CHANGES</b>								
2									
3	<b>Federal Conformity</b>								
4	Energy Tax Incentives Act of 2005								
5	3550 Pogemiller	GF	Individual Income Tax	(560)	(60)	(600)	0	40	40
6	3550 Pogemiller	GF	Corporate Franchise Tax	(40)	(1,900)	(1,940)	(3,000)	(3,740)	(6,740)
7	3550 Pogemiller	GF	Total	(600)	(1,960)	(2,560)	(3,000)	(3,700)	(6,700)
8	Gulf Opportunity Zone Act of 2005								
9	3550 Pogemiller	GF	Individual Income Tax	(85)	(140)	(225)	(50)	10	(40)
10	3550 Pogemiller	GF	Corporate Franchise Tax	(300)	(410)	(710)	(200)	(20)	(220)
11	3550 Pogemiller	GF	Total	(385)	(550)	(935)	(250)	(10)	(260)
12	Katrina Emergency Tax Relief Act of 2005								
13	3550 Pogemiller	GF	Individual Income Tax	(3,885)	90	(3,795)	65	0	65
14	3550 Pogemiller	GF	Corporate Franchise Tax	(320)	(120)	(440)	(10)	0	(10)
15	3550 Pogemiller	GF	Total	(4,205)	(30)	(4,235)	55	0	55
16	Federal Conformity - Subtotal			(5,190)	(2,540)	(7,730)	(3,195)	(3,710)	(6,905)
17									
18	3550 Pogemiller	GF	Standard Deduction Married Filers 2006-08	0	(28,700)	(28,700)	(14,800)	(6,500)	(21,300)
19	3550 Pogemiller	GF	Retroactive to Tax Year 2005 - One time	0	(33,200)	(33,200)	0	0	0
20	3550 Pogemiller	GF	Administrative costs - One time	0	(629)	(629)	0	0	0
21	Subtotal			0	(62,529)	(62,529)	(14,800)	(6,500)	(21,300)
22									
23	<b>Adjustments to AMT</b>								
24	Pogemiller	GF	Alternative Minimum Tax Exemption Amounts	0	(23,800)	(23,800)	(28,100)	(31,800)	(59,900)
25	3550 Pogemiller	GF	Repeal Exclusion of Deferred Compensation for Nonresidents	0	2,100	2,100	2,200	2,400	4,600
26	Subtotal			0	(21,700)	(21,700)	(25,900)	(29,400)	(55,300)
27									
28	<b>Individ. Income &amp; Corporate Franchise Tax</b>								
29	3131 Cohen	GF	Film Production Tax Credit	0	(3,100)	(3,100)	(3,200)	(3,400)	(6,600)
30	3131 Pogemiller	GF	Active Military Income Credit	0	(8,100)	(8,100)	(2,300)	(2,300)	(4,600)
31	3131 Vickerman	GF	Military Pension Income Subtraction	0	0	0	(4,300)	(9,100)	(13,400)
32	3131 Pogemiller	GF	10% Credit for Historic Structure Rehabilitation	0	(2,500)	(2,500)	(2,600)	(3,100)	(5,700)
33	3131 Sams	GF	Dairy Investment Credit as amended	0	(4,795)	(4,795)	(5,323)	(5,851)	(11,174)
34	3131 Kubly	GF	Beginning Farmer Credit amended Management Credit only	0	0	0	(125)	(138)	(263)
35	3131 Marty	GF	Prohibit the Deduction of Fines and Penalties	0	75	75	75	75	150
36	3131 Skoe	GF	Bovine Testing Credit	0	(390)	(390)	(390)	0	(390)
37	Subtotal			0	(18,810)	(18,810)	(18,163)	(23,814)	(41,977)

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Line#	Bill #	Author	Fund							
38										
39	Corporate Franchise Tax									
40	3131	Pogemiller	GF	Foreign Operating Income Treatment Modification	0	160,600	160,600	123,200	122,600	245,800
41	3131	Moua	GF	Refund for Transit Pass Expenses as amended	0	(370)	(370)	(510)	(540)	(1,050)
42				Subtotal	0	160,230	160,230	122,690	122,060	244,750
43										
44	Sales and Use Tax and Misc.									
45	3131	Pogemiller	GF	Exemption for Milk Only Sold in Vending Machines	0	(220)	(220)	(245)	(250)	(495)
46	3131	Saxhaug	GF	Exemption for Public Safety Radio Communication Products - Itasca County	0	(319)	(319)	(64)	0	(64)
47	3131	Rest	GF	International Economic Development Zone - various taxes primarily sales and use.	0	0	0	1,900	600	2,500
48	3131	Betzold	GF	Commuter Rail Construction Sales Tax Refund	0	(8,400)	(8,400)	0	0	0
49	3131	Betzold	GF	Fuel Sales Tax Exemption Refund for Commuter Rail	0	0	0	0	(25)	(25)
50	3131	Moua	GF	Exemption for Construction of Low Income Housing by Limited Partnerships	0	(1,280)	(1,280)	(1,440)	(1,485)	(2,925)
51	3131	Bonoff	GF	Lower St. Anthony Hydro Electric Generaton Facility Exempt from Various Taxes	0	(120)	(120)	(120)	0	(120)
52	3131	Marty	GF	Exemption for Re-Refined Motor Oil and Recycled Copier and Printing Papers	0	(100)	(100)	(115)	(120)	(235)
53	3131	Marty	GF	Car Sharing Motor Vehicle Tax Exemption	0	(6)	(6)	(12)	(24)	(36)
54	3131	Stumpf		JOBZ Qualified Business in Kittson County	0	(45)	(45)	(45)	(45)	(90)
55	3131	Higgins		Voting Equipment Sales Tax Exemption - One time	0	(2,275)	(2,275)	0	0	0
56	3131	Stumpf	GF	Thief River Falls Retroactive Exemption for Arena Construction - One time	0	(350)	(350)	0	0	0
57				Subtotal	0	(13,115)	(13,115)	(141)	(1,349)	(1,490)
58										
59	Wholesale Tax									
60		Pogemiller	GF	13% Sports Memorabilia Wholesale Tax	0	3,000	3,000	12,400	12,800	25,200
61				Subtotal	0	3,000	3,000	12,400	12,800	25,200
62	Misc.									
63	3131	Bakk	GF	Minnesota Minerals 21st Century Fund Occupation Tax - Transfer from General Fund	0	(550)	(550)	(910)	(910)	(1,820)
64			MMMTC	Transfer In to Minn. Minerals 21st Century Fund	0	550	550	910	910	1,820
65										
66										
67										



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Line#	Bill #	Author	Fund		FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
68	GENERAL FUND EXPENDITURE CHANGES									
69										
70	Property Tax									
71	3131	Frederickson	GF	Native Prairie Property Tax Exemption	0	0	0	0	(20)	(20)
72	3131	Moua	GF	Property tax classification for low income rental property (Class 4d) extension	0	0	0	(33)	(33)	(66)
73	3131	Pogemiller	GF	Metropolitan Council Transit Bonding	0	0	0	0	(50)	(50)
74	3131	Vickerman	GF	Ag. Homestead Land Bracket Adjusted for Inflation	0	0	0	(340)	(400)	(740)
75	3131	Dibble	GF	Retroactive Rebate for Property Tax Refunds with Tuition Waiver Income	0	(120)	(120)	0	0	0
76	3131	Saxhaug	GF	Biomass Electric Generating Facility Eligibility Extension	0	0	0	0	(20)	(20)
77	3131	Murphy	GF	EMS Special Taxing District Levy Authority	0	0	0	0	(9)	(9)
78				Subtotal	0	(120)	(120)	(373)	(532)	(905)
79										
80	K-12 Property Tax Relief									
81	3131	Pogemiller / Stumpf	GF	K - 12 Operating Capital Equalization	0	0	0	(51,363)	(60,316)	(111,679)
82	3131	Pogemiller / Stumpf	GF	K - 12 Debt Service Equalization	0	0	0	(6,736)	(6,172)	(12,908)
83	3131	Pogemiller / Stumpf	GF	Property Tax Refund	0	0	0	1,900	1,920	3,820
84	3131	Pogemiller / Stumpf	GF	Misc. Education Property Tax Reduction	0	0	0	(2,593)	(2,259)	(4,852)
85				Subtotal	0	0	0	(58,792)	(66,827)	(125,619)
86										
87	Aids and Credits									
88	3131	Pogemiller	GF	Local Government Aid - Full Funding	0	0	0	[-58,000]	[-60,000]	[-118,000]
89		Pogemiller	GF	Local Government Aid - Full Funding. Advance funding for LGA in calendar years 2007 & 2008 funded with resources available in FY 07.	0	(42,000)	(42,000)	(43,500)	(32,500)	(76,000)
90		Moua	GF	Agricultural Market Value Credit - Calculation for Fractional Homesteads	0	0	0	15	15	30
	3131									
91		Moua	GF	Disparity Reduction Aid - Timing of Adjustment for Class Rate Changes	0	0	0	75	75	150
	3131									
92	3131	Marko	GF	Newport aid increase of \$50,000	0	0	0	(50)	(50)	(100)
93	3131	Limmer	GF	Osseo aid increase of \$89,000	0	0	0	(89)	(89)	(178)
94	3131	Pogemiller	GF	Aid to Counties - Targeted Case Management Aid - One time	0	(60,000)	(60,000)	0	0	0
95	3131	Pogemiller	GF	Local Government Aid One-Time Adjustments - One time	(26,033)	(52,067)	(78,100)	0	0	0
96	3131	Wiger	GF	Reinstate Cuts in Market Value Credit - One time	0	(16,645)	(16,645)	0	0	0
97	3131	Skoe	GF	Mahnomen County Temporary County & City Aids - One time	0	(600)	(600)	0	0	0

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98		3131	Rudd	GF	Local Trunk Highway Improvements Pequot Lakes	0	(2,500)	(2,500)	0	0	0
99		3131	Koering	GF	Local Trunk Highway Improvements Nisswa	0	(2,500)	(2,500)	0	0	0
100		3131	Pogemiller	GF	County Referendum Cost Reimbursement	0	(122)	(122)	0	0	0
101		3131	Pogemiller	GF	Downtown Minneapolis Law Enforcement Needs	0	(2,000)	(2,000)	0	0	0
102					Subtotal	(26,033)	(178,434)	(204,467)	(43,549)	(32,549)	(76,098)
103											
104					<b>GENERAL FUND REVENUE CHANGES (TOTAL)</b>	<b>(26,033)</b>	<b>(178,434)</b>	<b>(204,467)</b>	<b>(43,549)</b>	<b>(32,549)</b>	<b>(76,098)</b>
105											
106					<b>SAVINGS GENERAL FUND REVENUE AND EXPENDITURE CHANGES</b>	<b>(31,223)</b>	<b>126,204</b>	<b>157,427</b>	<b>0</b>	<b>0</b>	<b>0</b>
107											
108					<b>AVAILABLE GENERAL FUND RESOURCES</b>						
109				GF	50% of Forecast General Fund Balance	0	44,000	44,000	44,000	44,000	88,000
110				GF	Transfer from Tax Relief Account to General Fund	31,223	126,204	157,427	0	0	0
111					Note: \$316,716 is transferred from the TRA to the GF. \$159,289 is reserved for Spending Committees						
112					Subtotal	31,223	170,204	201,427	44,000	44,000	88,000
113											
114											
115											
116					<b>OTHER FUNDS</b>						
117											
118											
119					<b>Health Care Access Fund</b>						
120				MCAF	3131 Betzold Increase rate and refund amount for MnCare Research Credit	0	0	0	(2,500)	(2,500)	(5,000)
121											
122					<b>Taconite Environmental Protection Fund</b>						
123				TEPF	3131 Tomassoni Distribution of Excess Proceeds	0	0	0	0	0	0
124											
125											
126					<b>ITEMS WITH NON-MONETARY OR NEGLIGIBLE FINANCIAL IMPACT</b>						
127											
128					3131 Pogemiller Public Finance Bill	0	0	0	neg.	neg.	neg.
129					3131 Pogemiller Tax Compliance Initiatives	0	0	0	0	0	0
130					3131 Pogemiller Fiscal Disparties and Uncompensated Care Reimbursement	0	0	0	0	0	0
131					3131 Bakk Ethanol and JOBZ time extension	0	0	0	0	0	0
132					3131 Bakk Occupation Tax Changes	0	0	0	0	0	0
133					3131 Dille Revenue Recapture Changes	0	0	0	0	0	0

Susan Von Mosch  
 Senate Fiscal Analyst

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Line#	Bill #	Author	Fund						
134									
135	<b>Property Tax</b>								
136	3131	Pogemiller	GF	Property tax statements content requirements modified to include targeting refund notice	0	0	0	0	0
137	3131	Bakk	GF	Homestead Classification for Absent Military Personnel	0	0	0	0	0
138	3131	Murphy	GF	Modify Property Tax abatement process for electric generating facilities	0	0	0	0	0
139	3131	Murphy	GF	Electric and transmission pipeline utilities property tax valuation rules effective date	0	0	0	0 Unk.	
140	3131	Pogemiller	GF	Register Relative Homesteads	0	0	0	0	0
141	3131	Saxhaug	GF	Property Tax Exemption for Electric Generating Facility	0	0	0	0	0
142	3131	Hottinger		Aggregate Resources Preservation Property Tax	0	0	0	0	0
143									
144	<b>Mortgage Registry / Deed Taxes</b>								
145	3131	Rest		Extend sunset on mortgage registry and deed taxes for Hennepin and Ramsey counties to 2013	0	0	0	0	0
146	3131	Betzold		Authorize Dakota and Anoka counties to impose a mortgage registry and deed tax	0	0	0	0	0
147	3131	Tomassoni		Authorize St. Louis County to impose mortgage registry and deed tax	0	0	0	0	0
148									
149	<b>Local Sales and Use Taxes</b>								
150	3131	Solon		Duluth increase current sales tax rate on food and beverages	0	0	0	0	0
151	3131	Bakk		Hermantown change termination	0	0	0	0	0
152	3131	Proctor		Winona	0	0	0	0	0
153	3131	Kierlin		Worthington election extension	0	0	0	0	0
154	3131	Vickerman		Austin	0	0	0	0	0
155	3131	Sparks		Baxter	0	0	0	0	0
156	3131	Koering		Brainerd for waste water, bridge and trails	0	0	0	0	0
157	3131	Ruud		Breezy Point Sales and Vehicle Excise Tax	0	0	0	0	0
158	3131	Lourey		Cloquet	0	0	0	0	0
159	3131	Bakk		Ely Sales Tax of up to a 1.0%	0	0	0	0	0
160	3131	Vickerman		Luverne Sales and Vehicle Excise Tax	0	0	0	0	0
161	3131	Day		Medford Sales Tax	0	0	0	0	0
162									

H.F. 3374 Omnibus Taxes Bill passed by the Senate Tax Committee on May 10, 2006.

S.F. 3131 (passed on floor on 4/20/06) combined with S.F. 3550 (passed by Taxes Committee on 3/31/06)

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.

Positive numbers represent revenue gains or budget savings.

May 11, 2006

Dollars in Thousands				Senate FY 2006	Senate FY 2007	Senate FY 2006-07	Senate FY 2008	Senate FY 2009	Senate FY 2008-09
Line#	Bill #	Author	Fund						
163	3131	Hottinger	North Mankato to impose a 0.5% sales and use tax.	0	0	0	0	0	0
164	3131	Day	Owatonna	0	0	0	0	0	0
165	3131		Park Rapids	0	0	0	0	0	0
166									
167	<b>Tax Increment Financing</b>								
168	3131	Skoe	Modifying definition of small cities	0	0	0	0	0	0
169	3131	Marty	TIF Provision Limiting Administrative Expenses	0	0	0	0	0	0
170	3131	Belanger	Burnsville TIF	0	0	0	0	0	0
171	3131	Jungbauer	Ramsey TIF	0	0	0	0	0	0
172	3131		Detroit Lakes TIF	0	0	0	0	0	0
173	3131	Pogemiller	Minneapolis TIF	0	0	0	0	0	0
174	3131	Chaudhary	City of New Brighton TIF	0	0	0	0	0	0
175	3131		St. Michael TIF	0	0	0	0	0	0
176									
177	<b>Aggregate Materials Tax</b>								
178	3131	Rudd	Sylvan Aggregate Tax	0	0	0	0	0	0
179									
180	<b>Misc.</b>								
181	3131	Jungbauer	Ramsey Port Authority for Issuing Bonds	0	0	0	0	0	0
182	3131	Kiscaden	Extending Rochester School District Property Tax Certification	0	0	0	0	0	0
183	3131	Dille	Winsted Bonding Authority	0	0	0	0	0	0
184	3131	Pogemiller	Pennock Authority to Issue GO Bonds	0	0	0	0	0	0
185	3131	Fischbach	Faribault & Rocori School District Lease Levy	0	0	0	0	0	0
186									
187	<b>SUMMARY OF ONE-TIME GENERAL FUND FUNDING</b>								
188									
189	3550	Pogemiller	GF Standard Deduction Married - Retroactive to Tax Year 2005	0	(33,200)	(33,200)	0	0	0
190	3550	Pogemiller	GF Administrative Cost		(629)	(629)	0	0	0
191	3550	Pogemiller	GF Federal Conformity - Energy, Gulf Opportunity Zone, Katrina	(5,190)	0	(5,190)	0	0	0
192	3131	Pogemiller	GF Aid to Counties - Targeted Case Management Aid	0	(60,000)	(60,000)	0	0	0
193	3131	Pogemiller	GF Local Government Aid One-Time Adjustments	(26,033)	(52,067)	(78,100)	0	0	0
194	3131	Wiger	GF Reinstate Cuts in Market Value Credit	0	(16,645)	(16,645)	0	0	0
195	3131	Skoe	GF Mahnomon County Temporary County and City Aids	0	(600)	(600)	0	0	0
196	3131	Higgins	Voting Equipment Sales Tax Exemption	0	(2,275)	(2,275)	0	0	0
197	3131	Betzold	GF Commuter Rail Construction Sales Tax Refund	0	(8,400)	(8,400)	0	0	0
198	3131	Stumpf	GF Thief River Falls Retroactive Exemption for Arena Construction	0	(350)	(350)	0	0	0
199									

**Projected 2007 LGA under Current Law, HF 3374 (Senate Proposal), and  
Two Variations of HF 3374 with \$34 Million Increase Instead of \$58 Million**

NAME	Cluster	Certified 2006 LGA	Projected 2007 LGA under Current Law	Increase Relative to Projected 2007 Current Law		
				Projected 2007 LGA under HF 3374	Proj. 2007 LGA under HF 3374 with \$34 million increase	Proj. '07 LGA under HF 3374 with \$34 million increase & 20% net levy cap
Ada	ges	588,408	624,384	77,437	43,908	35,977
Adams	ges	189,419	207,074	25,281	14,246	17,655
Adrian	ges	389,164	417,759	40,101	18,270	28,595
Afton	mhi	17,670	17,820	-	-	-
Aitkin	gsb	535,704	600,129	319,994	276,029	64,425
Akeley	gsm	64,205	60,374	-	-	-
Albany	ges	473,958	522,516	190,241	156,289	48,557
Albert Lea	grc	5,625,749	5,696,419	426,090	168,211	405,079
Alberta	gsm	25,124	28,838	2,440	963	2,320
Albertville	guf	-	-	-	-	-
Alden	ges	159,478	153,274	13,002	5,133	12,361
Aldrich	gsm	3,835	4,335	2,972	2,632	500
Alexandria	gsb	1,791,525	1,685,796	146,740	57,929	139,504
Alpha	gsm	34,393	36,347	3,096	1,222	2,943
Altura	gsm	41,209	38,691	-	-	-
Alvarado	gsm	34,749	37,449	36,509	33,033	2,700
Amboy	ges	125,825	120,302	10,183	4,020	9,681
Andover	mhg	-	-	-	-	-
Annandale	gmh	368,960	327,639	27,073	10,688	25,738
Anoka	mol	1,417,436	1,337,135	116,391	45,948	110,651
Apple Valley	mlc	-	-	-	-	-
Appleton	gsb	866,237	931,918	356,835	295,206	65,682
Arco	gsm	24,444	25,304	2,153	849	2,046
Arden Hills	mdv	-	-	-	-	-
Argyle	ges	179,319	188,593	29,383	19,013	9,274
Arlington	ges	620,542	682,138	83,664	47,161	61,596
Ashby	gsm	105,665	111,968	9,502	3,751	9,034
Askov	gsm	65,761	62,865	3,031	-	2,780
Atwater	ges	283,829	288,595	24,568	9,699	23,356
Audubon	gsm	77,289	91,505	34,478	28,515	14,215
Aurora	ges	628,801	591,645	-	-	-
Austin	grc	7,003,279	7,303,279	1,138,307	782,454	300,000
Avoca	gsm	29,182	30,748	2,604	1,028	2,475
Avon	ghi	244,326	270,528	22,870	9,029	21,743
Babbitt	ges	248,073	293,073	132,925	112,754	45,000
Backus	gsm	30,625	30,661	2,503	988	2,380
Badger	gsm	98,994	98,013	8,288	3,272	7,879
Bagley	ges	441,136	447,344	38,275	15,110	36,387
Balaton	ges	186,715	199,215	34,102	22,973	12,500
Barnesville	ges	439,818	471,774	479,197	433,793	31,957
Barnum	ges	116,437	127,753	25,220	17,983	11,316
Barrett	gsm	68,364	66,232	5,588	2,206	5,313
Barry	gsm	3,045	2,920	152	9	141
Battle Lake	ges	102,380	95,790	-	-	-
Baudette	gsb	311,164	327,242	29,980	12,985	16,077
Baxter	gsb	-	-	-	-	-
Bayport	msm	348,687	439,726	148,241	120,657	91,039
Beardsley	gsm	72,933	73,503	6,271	2,476	5,962
Beaver Bay	gsm	28,085	26,259	-	-	-
Beaver Creek	gsm	48,755	45,792	1,784	-	1,602
Becker	guf	22,494	24,840	-	-	-
Bejou	gsm	19,218	19,526	2,185	1,157	309

NAME	Cluster	Certified 2006 LGA	Projected 2007 LGA under Current Law	Increase Relative to Projected 2007 Current Law		
				Projected 2007 LGA under HF 3374	Proj. 2007 LGA under HF 3374 with \$34 million increase	Proj. '07 LGA under HF 3374 with \$34 million increase & 20% net levy cap
Belgrade	ges	167,803	177,817	15,102	5,961	14,357
Belle Plaine	msm	319,378	360,059	31,341	12,373	29,796
Bellechester	gsm	18,611	19,497	1,608	635	1,529
Bellingham	gsm	71,457	68,887	5,894	2,327	5,603
Beltrami	gsm	25,110	26,680	2,273	897	2,161
Belview	gsm	108,061	103,351	8,793	3,471	8,359
Bemidji	grc	3,507,656	3,480,791	266,860	105,350	253,701
Bena	gsm	23,358	24,137	4,992	3,613	780
Benson	ges	966,566	1,019,328	86,979	34,337	73,496
Bertha	gsm	141,220	133,132	10,625	3,795	10,069
Bethel	msm	33,801	32,935	-	-	-
Big Falls	gsm	70,195	69,021	5,871	2,318	5,581
Big Lake	guf	579,880	469,119	40,834	16,120	38,820
Bigelow	gsm	43,525	48,025	8,412	5,743	4,500
Bigfork	gsm	92,860	87,393	7,364	2,907	7,001
Bingham Lake	gsm	31,759	30,335	350	-	233
Birchwood	mhi	5,826	5,826	-	-	-
Bird Island	ges	392,838	423,640	39,333	17,236	30,803
Biscay	gsm	7,894	9,329	4,092	3,474	1,434
Biwabik	ges	365,593	342,764	-	-	-
Blackduck	ges	181,199	196,445	21,432	11,089	15,246
Blaine	mlc	-	-	-	-	-
Blomkest	gsm	21,437	20,211	819	-	741
Blooming Prairie	ges	624,697	684,841	82,848	46,211	60,143
Bloomington	mlc	-	-	-	-	-
Blue Earth	ges	1,203,446	1,306,051	434,345	351,021	102,605
Bluffton	gsm	18,837	22,115	15,059	13,319	3,279
Bock	gsm	10,049	11,841	6,265	5,422	1,791
Borup	gsm	13,325	13,925	7,354	6,348	600
Bovey	ges	301,074	283,143	-	-	-
Bowlus	gsm	30,741	33,461	4,497	2,732	2,719
Boy River	gsm	2,598	2,898	2,453	2,206	300
Boyd	gsm	78,646	73,946	-	-	-
Braham	ges	361,889	400,577	76,706	54,025	38,687
Brainerd	grc	4,019,438	4,105,299	314,634	124,210	299,119
Brandon	gsm	97,101	98,420	8,344	3,294	7,932
Breckenridge	ges	1,182,049	1,239,444	235,873	165,390	57,395
Breezy Point	guf	8,238	8,922	-	-	-
Brewster	ges	103,768	115,306	102,158	91,760	11,538
Bricelyn	gsm	120,843	132,061	11,323	4,478	10,766
Brook Park	gsm	22,820	23,133	1,931	763	1,836
Brooklyn Center	mol	667,665	908,743	79,101	31,227	75,201
Brooklyn Park	mlc	-	-	-	-	-
Brooks	gsm	19,662	21,505	9,023	7,585	1,843
Brookston	gsm	8,517	8,054	-	-	-
Brooten	ges	169,850	160,727	-	-	-
Browerville	ges	176,743	192,072	41,467	30,361	15,329
Browns Valley	ges	293,070	275,593	19,062	4,973	17,914
Brownsdale	ges	138,480	149,274	24,634	16,412	10,795
Brownsville	gmg	69,986	67,030	-	-	-
Brownton	ges	214,449	222,081	18,905	7,463	17,972
Bruno	gsm	21,421	20,163	-	-	-
Buckman	gsm	15,539	16,607	1,328	524	1,263
Buffalo	ghi	1,415,301	1,121,103	70,966	28,015	67,466
Buffalo Lake	gmg	236,739	227,531	13,719	2,247	12,784

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Buhl	ges	397,797	371,968	-	-	-
Burnsville	mlc	-	-	-	-	-
Burtrum	gsm	22,286	23,207	7,346	5,903	921
Butterfield	ges	147,622	156,159	13,312	5,255	11,463
Byron	ghi	280,063	237,594	18,162	7,170	17,266
Caledonia	ges	747,863	787,371	164,043	118,793	39,507
Callaway	gsm	38,241	38,700	3,255	1,285	3,095
Calumet	gsm	143,329	134,695	-	-	-
Cambridge	gsb	534,186	536,995	46,743	18,453	44,438
Campbell	gsm	51,718	54,518	6,269	3,386	2,800
Canby	ges	697,115	737,537	80,162	41,069	40,422
Cannon Falls	ghi	718,971	677,297	56,885	22,457	54,080
Canton	gsm	91,246	86,456	3,100	-	2,754
Carlos	gsm	44,988	42,579	-	-	-
Carlton	ges	224,276	236,304	20,136	7,949	19,143
Carver	mhg	187,739	259,590	21,385	8,442	20,330
Cass Lake	ges	343,536	322,983	19,706	3,338	18,372
Cedar Mills	gsm	4,368	5,868	785	478	760
Center City	gmg	52,680	49,453	-	-	-
Centerville	mhg	21,864	22,512	-	-	-
Ceylon	gsm	143,187	135,851	8,710	1,814	8,148
Champlin	mhg	-	-	-	-	-
Chandler	gsm	65,311	68,067	5,792	2,287	5,507
Chanhassen	mhg	-	-	-	-	-
Chaska	mhg	50,000	50,000	-	-	-
Chatfield	gmg	681,383	767,590	97,110	55,918	86,207
Chickamaw Beach	gsm	864	864	-	-	-
Chisago City	gmg	318,469	195,427	-	-	-
Chisholm	ges	2,435,001	2,394,175	205,892	81,282	195,739
Chokio	gsm	124,077	122,969	10,484	4,139	9,967
Circle Pines	msm	29,700	-	-	-	-
Clara City	ges	409,575	415,550	35,477	14,006	33,727
Claremont	ges	174,823	167,042	-	-	-
Clarissa	ges	188,941	177,881	-	-	-
Clarkfield	ges	363,182	344,569	29,524	11,655	28,068
Clarks Grove	ges	121,294	127,794	51,088	42,625	6,500
Clear Lake	gsm	42,919	40,149	-	-	-
Clearbrook	ges	146,900	149,551	12,728	5,025	12,100
Clearwater	ghi	117,785	114,232	-	-	-
Clements	gsm	37,127	37,368	3,163	1,248	3,007
Cleveland	ges	119,852	126,211	10,601	4,185	10,079
Climax	gsm	51,061	48,240	3,857	1,401	3,657
Clinton	gsm	165,376	155,763	-	-	-
Clitherall	gsm	13,880	14,120	5,895	4,960	240
Clontarf	gsm	13,792	16,792	12,064	10,712	3,000
Cloquet	grc	2,406,450	2,235,512	162,204	64,035	154,206
Coates	mdv	1,014	1,014	-	-	-
Cobden	gsm	2,692	2,817	5,108	4,739	125
Cohasset	gmg	15,336	15,540	-	-	-
Cokato	gmg	552,119	497,093	41,849	16,521	39,786
Cold Spring	gmg	569,876	635,546	53,340	21,057	50,709
Coleraine	ges	384,859	361,108	-	-	-
Cologne	mhg	136,980	132,069	-	-	-
Columbia Heights	mol	1,028,487	691,032	60,151	23,746	57,185
Comfrey	gsm	113,180	105,376	3,863	-	3,479

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Comstock	gsm	14,688	15,488	5,873	4,873	800
Conger	gsm	25,991	24,391	-	-	-
Cook	ges	143,460	156,308	13,298	5,249	12,642
Coon Rapids	mlc	450,000	450,000	-	-	-
Corcoran	mhi	-	-	-	-	-
Correll	gsm	9,803	10,103	857	338	815
Cosmos	ges	149,563	143,239	12,161	4,801	11,561
Cottage Grove	mhg	-	-	-	-	-
Cottonwood	gmj	288,349	306,446	26,075	10,294	24,789
Courtland	ghi	57,789	67,841	7,952	4,447	7,666
Cromwell	gsm	28,286	27,224	-	-	-
Crookston	ges	2,835,565	2,997,342	395,460	231,034	161,777
Crosby	ges	823,972	786,862	13,485	-	10,379
Crosslake	ghi	12,210	12,378	-	-	-
Crystal	mol	871,749	780,925	67,976	26,836	64,624
Currie	gsm	69,827	69,273	5,922	2,338	5,630
Cuyuna	gsm	14,649	13,656	-	-	-
Cyrus	gsm	69,627	73,035	11,380	7,371	3,408
Dakota	gsm	30,472	36,019	2,961	1,169	2,815
Dalton	gsm	46,996	45,174	3,799	1,500	3,612
Danube	ges	137,559	135,059	11,494	4,538	10,927
Danvers	gsm	8,542	11,107	1,588	1,002	1,540
Darfur	gsm	24,965	27,465	16,641	14,541	2,500
Darwin	gsm	17,568	20,068	22,572	20,943	2,500
Dassel	gmj	336,905	347,183	29,548	11,665	28,091
Dawson	ges	585,919	603,304	51,735	20,424	49,184
Dayton	msm	29,784	-	-	-	-
De Graff	gsm	15,737	17,092	16,777	15,177	1,355
Deephaven	mhi	23,400	23,490	-	-	-
Deer Creek	gsm	54,651	59,601	8,042	4,862	4,950
Deer River	ges	273,497	301,803	25,788	10,180	24,516
Deerwood	gsb	45,008	41,397	-	-	-
Delano	ghi	233,311	170,157	12,506	4,937	11,889
Delavan	gsm	58,751	55,546	943	-	725
Delhi	gsm	16,112	17,362	4,152	3,133	1,250
Dellwood	mhi	6,480	6,534	-	-	-
Denham	gsm	222	222	-	-	-
Dennison	gsm	18,798	17,681	-	-	-
Dent	gsm	25,853	30,353	10,911	8,967	4,500
Detroit Lakes	gsb	1,189,099	1,193,236	103,865	41,003	98,743
Dexter	gsm	78,436	76,073	6,443	2,543	6,125
Dilworth	ges	582,128	571,960	48,082	18,982	45,711
Dodge Center	gmj	742,120	830,166	109,321	64,537	88,045
Donaldson	gsm	5,374	5,180	339	80	318
Donnelly	gsm	42,102	45,515	10,969	8,302	3,413
Doran	gsm	11,712	12,712	1,796	1,108	1,000
Dover	gsm	87,964	99,934	31,962	25,746	11,970
Dovray	gsm	11,476	12,576	1,722	1,047	1,100
Duluth	gmj	26,728,606	27,838,816	3,592,254	2,190,163	1,110,210
Dumont	gsm	22,889	21,531	76	-	-
Dundas	ghi	91,943	102,352	8,502	3,357	8,083
Dundee	gsm	18,433	19,906	2,813	1,740	1,473
Dunnell	gsm	59,283	61,556	5,261	2,077	5,001
Eagan	mlc	-	-	-	-	-
Eagle Bend	ges	167,329	157,520	10,837	2,857	10,187



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Eagle Lake	ges	322,297	355,606	206,123	179,482	33,309
East Bethel	mhg	-	-	-	-	-
East Grand Forks	ges	2,456,818	2,701,018	699,139	534,356	244,200
East Gull Lake	ghi	6,030	6,066	-	-	-
Easton	gsm	39,706	37,228	-	-	-
Echo	gsm	84,907	79,764	2,750	-	2,430
Eden Prairie	mlc	-	-	-	-	-
Eden Valley	ges	226,487	219,911	18,679	7,374	17,758
Edgerton	ges	285,255	308,141	26,301	10,383	25,004
Edina	mlc	-	-	-	-	-
Effie	gsm	4,257	5,757	6,911	6,322	1,500
Eitzen	gsm	35,604	34,353	-	-	-
Elba	gsm	13,092	14,961	15,551	14,130	1,868
Elbow Lake	ges	418,545	430,316	36,795	14,526	34,981
Elgin	ges	184,722	214,569	81,601	67,526	29,847
Elizabeth	gsm	29,117	27,636	1,293	-	1,182
Elk River	ghi	686,820	686,820	-	-	-
Elko	mhg	5,820	6,984	-	-	-
Elkton	gsm	14,710	13,856	356	-	304
Ellendale	ges	118,887	116,750	9,849	3,888	9,363
Ellsworth	ges	155,029	163,478	13,952	5,508	13,264
Elmdale	gsm	6,429	6,142	-	-	-
Elmore	ges	222,060	231,460	19,787	7,811	18,811
Elrosa	gsm	19,207	21,953	4,429	3,197	2,746
Ely	ges	1,584,143	1,640,694	140,957	55,647	134,006
Elysian	gsm	67,260	62,113	-	-	-
Emily	gmg	5,364	5,436	-	-	-
Emmons	gsm	86,349	81,661	1,498	-	1,180
Erhard	gsm	20,389	21,439	6,532	5,217	1,050
Erskine	gsm	106,515	102,805	8,726	3,445	8,296
Evan	gsm	9,912	10,978	5,550	4,776	1,065
Evansville	ges	126,806	128,398	10,885	4,297	10,348
Eveleth	ges	1,838,603	1,937,729	516,944	399,062	99,126
Excelsior	msm	131,545	119,405	-	-	-
Eyota	gmg	324,596	370,533	144,397	119,972	45,938
Fairfax	ges	423,172	458,172	41,148	17,323	35,000
Fairmont	grc	3,594,062	3,786,712	695,627	495,522	192,650
Falcon Heights	msm	198,527	196,169	17,076	6,741	16,234
Faribault	grc	6,054,954	6,404,920	489,598	201,463	349,965
Farmington	mhg	-	-	-	-	-
Farwell	gsm	17,094	16,103	758	-	693
Federal Dam	gsm	2,286	2,149	-	-	-
Felton	gsm	33,223	31,332	-	-	-
Fergus Falls	grc	3,963,133	4,171,732	318,886	125,889	303,162
Fertile	ges	227,506	241,154	47,958	34,199	13,647
Fifty Lakes	gsm	2,424	2,442	-	-	-
Finlayson	gsm	39,179	37,661	-	-	-
Fisher	gsm	61,642	69,530	16,040	12,009	7,889
Flensburg	gsm	24,027	22,760	1,156	68	1,068
Floodwood	ges	148,090	138,607	5,390	-	4,834
Florence	gsm	10,842	10,553	894	352	849
Foley	gmg	618,974	675,926	278,674	233,174	56,951
Forada	gsm	1,152	1,152	-	-	-
Forest Lake	mdv	-	-	-	-	-
Foreston	gsm	57,636	64,121	26,828	22,567	6,485

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				Projected 2007 LGA under HF 3374	Proj. 2007 LGA under HF 3374 with \$34 million increase	Proj. '07 LGA under HF 3374 with \$34 million increase & 20% net levy cap
Fort Ripley	gsm	408	408	-	-	-
Fosston	ges	481,053	509,197	162,156	130,066	28,143
Fountain	gsm	55,445	57,310	4,790	1,891	4,554
Foxhome	gsm	23,906	25,485	4,077	2,682	1,580
Franklin	gsm	141,318	132,780	8,809	2,090	8,262
Frazee	ges	317,328	342,378	193,046	167,501	25,050
Freeborn	gsm	56,546	56,929	4,804	1,897	4,567
Freeport	gsm	84,221	79,438	1,284	-	976
Fridley	mdv	-	-	-	-	-
Frost	gsm	58,606	56,902	4,828	1,906	4,590
Fulda	ges	408,726	433,836	70,235	46,190	25,110
Funkley	gsm	149	147	-	-	-
Garfield	gsm	27,944	32,985	2,716	1,072	2,582
Garrison	gsm	1,380	1,398	-	-	-
Garvin	gsm	43,839	41,207	-	-	-
Gary	gsm	60,313	56,765	-	-	-
Gaylord	gmg	696,636	752,495	169,517	125,497	55,859
Gem Lake	mdv	2,652	2,682	-	-	-
Geneva	gsm	69,130	69,915	5,839	2,305	5,551
Genola	gsm	1,694	1,683	-	-	-
Georgetown	gsm	11,669	11,705	956	377	909
Ghent	gsm	60,664	64,317	5,433	2,145	5,165
Gibbon	ges	221,163	227,199	19,364	7,645	18,409
Gilbert	ges	703,942	658,725	-	-	-
Gilman	gsm	3,330	4,315	7,466	6,963	986
Glencoe	gmg	1,179,808	1,229,001	106,978	42,233	101,703
Glenville	ges	146,266	156,866	37,450	28,234	10,600
Glenwood	ges	787,853	788,053	67,208	26,532	63,893
Glyndon	gmg	226,007	256,332	91,116	74,630	30,325
Golden Valley	mdv	-	-	-	-	-
Gonvick	gsm	67,643	63,519	1,304	-	1,055
Good Thunder	ges	146,997	141,092	11,982	4,730	11,391
Goodhue	gmg	172,195	197,795	38,573	27,389	25,600
Goodridge	gsm	23,835	22,422	-	-	-
Goodview	gmg	107,897	94,448	6,497	2,565	6,177
Graceville	ges	206,536	195,451	10,807	985	10,006
Granada	gsm	80,241	83,580	20,380	15,428	3,338
Grand Marais	gsb	213,163	198,686	-	-	-
Grand Meadow	ges	239,621	259,529	22,101	8,725	21,011
Grand Rapids	gsb	1,404,632	1,495,077	130,139	51,376	123,722
Granite Falls	ges	718,778	754,187	64,027	25,276	60,870
Grant	mhi	25,080	25,344	-	-	-
Grasston	gsm	18,860	17,742	-	-	-
Green Isle	gsm	40,760	38,108	-	-	-
Greenbush	ges	204,912	210,322	17,920	7,075	17,037
Greenfield	mhg	16,920	17,298	-	-	-
Greenwald	gsm	16,122	18,722	10,747	9,374	2,600
Greenwood	mhi	4,800	4,860	-	-	-
Grey Eagle	gsm	74,974	70,409	-	-	-
Grove City	ges	168,470	166,776	14,188	5,601	13,488
Grygla	gsm	39,888	37,356	2,915	1,033	2,762
Gully	gsm	12,206	12,872	17,717	16,262	666
Hackensack	gsm	8,314	7,621	-	-	-
Hadley	gsm	12,172	14,672	2,345	1,539	2,279
Hallock	ges	403,584	429,239	55,286	32,135	25,655

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Halma	gsm	9,506	9,975	1,902	1,346	470
Halstad	ges	168,009	165,885	14,125	5,576	13,429
Ham Lake	mhg	-	-	-	-	-
Hamburg	msm	54,056	55,783	4,562	1,801	4,337
Hammond	gsm	26,872	29,352	35,383	32,315	2,480
Hampton	msm	40,410	51,745	4,947	2,392	4,739
Hancock	ges	192,353	210,405	37,420	25,615	18,052
Hanley Falls	gsm	79,760	76,214	6,475	2,556	6,156
Hanover	ghi	200,375	258,386	21,189	8,365	20,145
Hanska	gsm	110,240	110,937	9,433	3,724	8,968
Harding	gsm	1,313	1,280	-	-	-
Hardwick	gsm	44,686	46,984	4,036	1,622	2,297
Harmony	ges	374,998	376,009	32,136	12,687	30,551
Harris	gmg	131,322	157,061	13,006	5,135	12,365
Hartland	gsm	58,963	56,333	4,758	1,878	4,523
Hastings	mol	210,932	197,097	17,157	6,773	16,311
Hatfield	gsm	3,862	4,447	365	144	347
Hawley	ges	374,499	407,039	293,858	260,446	32,540
Hayfield	ges	370,750	407,216	34,734	13,712	33,021
Hayward	gsm	35,700	34,575	2,883	1,138	2,741
Hazel Run	gsm	13,728	14,228	2,590	1,793	500
Hector	ges	353,449	358,720	30,614	12,086	29,104
Heidelberg	gsm	618	594	-	-	-
Henderson	gmg	272,638	260,746	22,204	8,766	21,110
Hendricks	ges	203,254	212,495	18,129	7,157	17,235
Hendrum	gsm	66,877	64,499	5,449	2,151	5,180
Henning	ges	211,333	226,293	73,723	59,440	14,959
Henriette	gsm	6,626	7,626	1,582	1,163	1,000
Herman	gsm	132,361	124,324	-	-	-
Hermantown	ghi	411,541	410,744	18,345	7,242	17,440
Heron Lake	ges	251,014	257,895	22,045	8,703	20,958
Hewitt	gsm	56,073	60,323	6,650	3,484	4,250
Hibbing	grc	7,115,165	7,553,987	1,556,837	1,150,398	438,822
Hill City	gsm	57,996	54,506	-	-	-
Hillman	gsm	3,334	3,318	277	109	263
Hills	ges	126,663	132,838	23,257	15,856	6,175
Hilltop	msm	145,222	140,606	6,357	-	5,795
Hinckley	gsb	269,319	257,419	-	-	-
Hitterdal	gsm	47,853	45,024	2,436	189	2,253
Hoffman	ges	145,713	153,416	17,455	9,365	7,702
Hokah	ges	177,544	175,558	14,977	5,912	14,239
Holdingford	gmg	155,738	153,968	13,014	5,138	12,372
Holland	gsm	46,226	48,885	4,320	1,801	2,659
Hollandale	gsm	46,057	43,840	3,645	1,431	3,465
Holloway	gsm	17,851	16,773	-	-	-
Holt	gsm	12,379	12,879	7,542	6,580	500
Hopkins	mol	50,000	50,000	-	-	-
Houston	ges	325,689	334,060	28,549	11,270	27,141
Howard Lake	gmg	429,415	486,327	80,864	53,936	56,912
Hoyt Lakes	ges	328,819	304,931	-	-	-
Hugo	mhg	-	-	-	-	-
Humboldt	gsm	10,690	10,956	5,534	4,751	265
Hutchinson	grc	2,432,577	2,388,149	165,677	65,406	157,508
Ihlen	gsm	18,747	18,031	1,518	599	1,443
Independence	mhi	21,630	22,098	-	-	-

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International Falls	gsb	2,990,709	3,185,894	787,176	594,628	195,185
Inver Grove Heights	mhg	-	-	-	-	-
Iona	gsm	38,699	38,095	3,233	1,276	3,074
Iron Junction	gsm	8,665	9,200	3,689	3,090	535
Ironton	gsm	126,208	118,440	-	-	-
Isanti	guf	546,860	571,836	47,203	18,635	44,875
Isle	gmg	79,378	75,489	-	-	-
Ivanhoe	ges	207,148	197,338	16,841	6,648	16,010
Jackson	ges	1,077,132	1,165,303	99,620	39,328	94,708
Janesville	ges	567,611	617,329	240,792	199,830	49,719
Jasper	ges	169,072	178,788	23,021	13,411	9,715
Jeffers	gsm	112,962	118,862	15,629	9,221	5,900
Jenkins	gsm	6,126	5,624	-	-	-
Johnson	gsm	5,876	6,576	1,635	1,246	700
Jordan	msm	284,499	219,272	16,632	6,566	15,812
Kandiyohi	ges	89,147	97,497	12,211	7,052	8,350
Karlstad	ges	222,251	237,851	22,474	10,077	15,600
Kasota	ges	104,109	108,904	87,323	78,016	4,796
Kasson	gmg	820,851	964,046	87,095	36,154	82,945
Keewatin	ges	445,537	419,141	30,026	8,595	28,280
Kelliher	gsm	83,941	87,389	30,141	26,086	3,447
Kellogg	gsm	80,048	77,064	6,471	2,555	6,152
Kennedy	gsm	67,475	68,542	5,850	2,309	5,562
Kenneth	gsm	12,844	12,107	-	-	-
Kensington	gsm	53,466	56,461	4,776	1,886	4,541
Kent	gsm	21,157	21,748	1,832	724	1,209
Kenyon	gmg	459,220	518,707	53,628	26,381	51,408
Kerkhoven	ges	175,448	185,119	15,724	6,207	14,949
Kerrick	gsm	4,617	4,335	-	-	-
Kettle River	gsm	28,261	26,315	-	-	-
Kiester	ges	165,176	156,122	10,132	2,225	9,488
Kilkenny	gsm	35,951	37,340	3,168	1,250	3,012
Kimball	ges	128,453	124,404	10,489	4,141	9,972
Kinbrae	gsm	677	633	-	-	-
Kingston	gsm	9,470	9,079	-	-	-
Kinney	gsm	72,613	67,964	-	-	-
La Crescent	gmg	580,287	563,074	49,013	19,350	46,596
La Prairie	ghi	74,951	75,768	6,271	2,476	5,962
La Salle	gsm	15,778	17,190	1,452	573	1,380
Lafayette	ges	126,207	134,412	15,760	8,637	8,206
Lake Benton	ges	215,918	203,321	4,396	-	3,592
Lake Bronson	gsm	64,766	68,616	6,423	2,853	3,850
Lake City	gmg	997,909	837,831	72,928	28,790	69,332
Lake Crystal	ges	706,951	784,131	111,743	69,072	77,180
Lake Elmo	mhi	-	-	-	-	-
Lake Henry	gsm	6,938	6,675	-	-	-
Lake Lillian	gsm	43,215	40,490	-	-	-
Lake Park	ges	176,498	185,145	90,113	77,018	8,647
Lake Shore	gmg	6,144	6,210	-	-	-
Lake St. Croix Beach	msm	37,439	39,076	2,786	1,100	2,649
Lake Wilson	gsm	67,122	71,117	15,110	11,007	3,995
Lakefield	ges	665,448	667,975	57,251	22,601	54,428
Lakeland	mhi	91,328	134,736	10,724	4,234	10,195
Lakeland Shores	mhi	2,130	2,130	-	-	-
Lakeville	mhg	-	-	-	-	-

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Lamberton	ges	287,585	290,759	24,879	9,821	23,652
Lancaster	gsm	79,895	84,226	7,154	2,825	6,269
Landfall	msm	99,916	136,739	42,324	33,865	36,822
Lanesboro	ges	210,634	210,512	17,923	7,076	17,039
Laporte	gsm	11,135	10,658	842	325	800
Lastrup	gsm	3,112	2,905	-	-	-
Lauderdale	msm	359,418	408,144	238,575	207,910	48,726
Le Center	gmh	544,579	580,678	315,716	272,966	36,099
Le Roy	ges	242,540	262,952	22,413	8,848	21,308
Le Sueur	gmh	1,003,159	981,400	83,173	32,834	79,072
Lengby	gsm	26,322	24,844	2,093	812	1,989
Leonard	gsm	2,918	3,193	1,580	1,355	275
Leonidas	gsm	40,630	38,200	-	-	-
Lester Prairie	gmh	334,356	384,456	34,390	14,537	32,772
Lewiston	gmh	326,810	375,108	99,665	77,095	48,297
Lewisville	gsm	56,937	61,437	8,501	5,184	4,500
Lexington	msm	439,938	460,977	38,998	15,396	37,075
Lilydale	mdv	4,740	5,166	-	-	-
Lindstrom	gmh	194,229	172,602	12,938	5,108	12,300
Lino Lakes	mhh	-	-	-	-	-
Lismore	gsm	71,387	68,040	5,809	2,293	5,523
Litchfield	ges	1,613,189	1,784,719	156,681	62,595	149,015
Little Canada	msm	-	-	-	-	-
Little Falls	grc	2,214,751	2,303,867	200,540	79,168	190,651
Littlefork	ges	183,899	193,899	46,494	35,046	10,000
Long Beach	gsm	1,734	1,764	-	-	-
Long Lake	mdv	156,193	148,617	-	-	-
Long Prairie	gsb	725,356	775,156	135,542	92,284	49,800
Longville	gsm	1,062	1,062	-	-	-
Lonsdale	gmh	302,979	382,136	32,066	12,659	30,485
Loretto	msm	10,836	9,935	-	-	-
Louisburg	gsm	6,914	7,851	1,372	937	937
Lowry	gsm	51,441	48,227	-	-	-
Lucan	gsm	53,621	50,471	2,348	-	2,144
Luverne	ges	1,272,067	1,350,975	178,406	105,621	78,907
Lyle	ges	146,064	153,364	14,710	6,729	7,300
Lynd	gsm	68,021	64,844	-	-	-
Mabel	ges	240,376	228,054	19,184	7,421	18,226
Madelia	ges	661,673	702,982	334,864	285,237	41,310
Madison	ges	736,691	779,191	111,208	68,555	42,500
Madison Lake	gmh	128,204	129,962	10,846	4,282	10,311
Magnolia	gsm	28,415	30,676	18,663	16,332	2,261
Mahnomen	gsb	327,459	342,688	29,205	11,530	27,765
Mahtomedi	mhh	-	-	-	-	-
Manchester	gsm	9,514	10,004	12,730	11,651	490
Manhattan Beach	gsm	342	354	-	-	-
Mankato	grc	7,978,622	7,847,348	539,829	213,111	513,209
Mantorville	ghi	243,008	233,001	19,652	7,758	18,683
Maple Grove	mlc	-	-	-	-	-
Maple Lake	gmh	339,787	382,586	48,045	27,688	42,799
Maple Plain	mdv	323,989	400,733	34,458	13,969	32,788
Mapleton	ges	426,021	462,625	139,230	110,544	36,604
Mapleview	gsm	60,705	57,121	-	-	-
Maplewood	mdv	-	-	-	-	-
Marble	ges	266,908	251,196	-	-	-

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Marietta	gsm	61,115	57,456	-	-	-
Marine on St. Croix	msm	3,954	4,044	-	-	-
Marshall	grc	2,610,090	2,554,106	181,925	71,820	172,954
Mayer	msm	28,802	26,988	-	-	-
Maynard	gsm	134,380	126,859	6,308	-	5,791
Mazeppa	ges	167,083	162,066	13,693	5,406	13,018
McGrath	gsm	3,498	4,218	1,907	1,630	720
McGregor	gsm	101,064	96,379	-	-	-
McIntosh	ges	178,555	186,698	33,494	23,002	8,142
McKinley	gsm	60,468	56,655	-	-	-
Meadowlands	gsm	15,959	19,567	1,638	647	1,557
Medford	ghi	187,796	180,473	-	-	-
Medicine Lake	msm	2,220	2,220	-	-	-
Medina	mhg	27,900	29,046	-	-	-
Meire Grove	gsm	13,464	12,926	-	-	-
Melrose	ges	725,849	781,441	66,301	26,174	63,032
Menahga	ges	313,869	320,903	27,294	10,775	25,948
Mendota	msm	2,018	1,712	-	-	-
Mendota Heights	mhg	-	-	-	-	-
Mentor	gsm	20,200	23,123	12,409	10,724	2,922
Middle River	gsm	58,603	64,201	22,727	18,611	5,597
Miesville	msm	822	822	-	-	-
Milaca	ges	615,575	674,655	79,565	43,807	59,080
Milan	gsm	98,123	93,651	7,992	3,155	7,598
Millerville	gsm	1,891	2,391	14,680	13,886	500
Millville	gsm	20,738	21,739	1,799	710	1,710
Milroy	gsm	60,879	58,076	3,112	220	2,876
Miltona	gsm	30,792	31,753	2,607	1,029	2,478
Minneapolis	msh	93,948,100	83,780,911	7,292,703	2,878,988	6,933,089
Minneiska	gsm	7,737	7,248	-	-	-
Minneota	ges	424,336	459,981	58,109	33,411	35,644
Minnesota City	gsm	30,305	32,805	10,678	8,636	2,500
Minnesota Lake	ges	156,510	147,061	4,749	-	4,165
Minnetonka	mlc	-	-	-	-	-
Minnetonka Beach	mhi	3,708	3,708	-	-	-
Minnetrista	mhi	-	-	-	-	-
Mizpah	gsm	4,621	4,871	13,640	12,765	250
Montevideo	ges	1,672,885	1,807,524	157,336	62,113	149,577
Montgomery	ges	738,742	755,094	64,126	25,316	60,964
Monticello	ghi	-	-	-	-	-
Montrose	ges	248,608	312,108	210,859	186,141	63,500
Moorhead	grc	8,059,765	7,695,253	527,895	208,400	501,864
Moose Lake	ges	401,768	431,768	786,511	728,208	30,000
Mora	gsb	629,866	676,918	125,449	87,586	47,051
Morgan	ges	320,767	303,610	25,973	10,253	24,693
Morris	ges	1,738,172	1,843,369	628,422	508,631	105,196
Morristown	ges	192,636	211,296	80,068	66,249	18,660
Morton	gsm	132,339	134,619	11,496	4,538	10,929
Motley	gsb	121,920	142,610	25,349	17,415	20,690
Mound	msm	-	-	-	-	-
Mounds View	msm	-	-	-	-	-
Mountain Iron	ges	623,882	726,819	699,204	630,944	102,937
Mountain Lake	ges	756,086	803,065	194,961	147,200	46,978
Murdock	gsm	68,458	72,706	6,175	2,438	5,871
Myrtle	gsm	10,016	10,866	2,122	1,509	850

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Nashua	gsm	397	377	-	-	-
Nashwauk	ges	480,252	451,291	-	-	-
Nassau	gsm	12,935	14,239	5,919	4,965	1,304
Nelson	gsm	21,084	24,684	3,395	2,080	3,288
Nerstrand	gsm	20,323	19,066	-	-	-
Nevis	gsm	55,959	52,375	-	-	-
New Auburn	gsm	89,639	100,194	8,461	3,340	8,044
New Brighton	mol	-	-	-	-	-
New Germany	msm	15,547	14,596	-	-	-
New Hope	mol	582,879	135,719	11,813	4,663	11,231
New London	ges	246,645	270,259	65,947	49,978	23,615
New Market	mhg	55,040	116,571	19,000	12,898	18,503
New Munich	gsm	55,941	61,241	7,303	4,083	5,300
New Prague	msm	837,579	808,709	70,394	27,790	66,923
New Richland	ges	305,021	330,963	69,919	50,829	25,941
New Trier	msm	1,115	1,031	-	-	-
New Ulm	grc	4,102,448	4,294,768	328,954	129,864	312,733
New York Mills	ges	359,780	389,380	42,787	22,190	29,600
Newfolden	gsm	77,369	79,258	6,711	2,649	6,380
Newport	msm	577,647	591,677	36,510	14,413	34,709
Nicollet	gmh	174,288	189,599	36,809	26,124	15,311
Nielsville	gsm	21,211	22,472	1,911	754	1,817
Nimrod	gsm	2,882	2,797	-	-	-
Nisswa	ghi	12,240	12,348	-	-	-
Norcross	gsm	20,071	18,844	-	-	-
North Branch	guf	361,572	487,772	42,458	16,761	40,364
North Mankato	ghi	1,826,588	1,658,823	108,888	42,986	103,518
North Oaks	mhi	25,200	25,578	-	-	-
North St. Paul	msm	1,269,019	1,332,413	115,980	45,786	110,261
Northfield	grc	3,311,200	2,841,412	44,573	-	36,055
Northome	gsm	64,390	66,500	5,665	2,236	5,386
Northrop	gsm	41,658	44,682	3,760	1,484	3,574
Norwood Young America	msm	212,573	196,291	15,306	6,042	14,551
Oak Grove	mhg	200,000	200,000	-	-	-
Oak Park Heights	mdv	27,798	29,412	-	-	-
Oakdale	mhg	-	-	-	-	-
Odessa	gsm	45,197	42,550	-	-	-
Odin	gsm	20,754	21,783	6,714	5,367	1,028
Ogema	gsm	32,290	31,394	2,662	1,051	2,531
Ogilvie	gsm	116,943	121,970	17,539	10,917	5,027
Okabena	gsm	51,607	49,000	2,257	-	2,059
Oklee	gsm	114,917	108,505	7,875	2,354	7,425
Olivia	ges	840,321	825,184	70,479	27,823	67,003
Onamia	ges	181,145	194,804	45,053	33,676	13,658
Ormsby	gsm	24,285	25,016	2,099	829	1,995
Orono	mhi	-	-	-	-	-
Oronoco	ghi	71,671	67,363	4,321	1,127	4,061
Orr	gsm	47,886	44,618	1,462	-	1,286
Ortonville	ges	828,556	830,573	71,242	28,125	67,729
Osakis	ges	456,498	483,712	41,266	16,291	39,231
Oslo	gsm	79,936	74,785	-	-	-
Osseo	mdv	521,172	520,270	35,681	14,086	33,921
Ostrander	gsm	42,245	43,237	3,658	1,444	3,478
Otsego	ghi	-	-	-	-	-
Ottertail	gsm	2,892	2,916	-	-	-

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Owatonna	grc	5,027,679	4,337,644	-	-	-
Palisade	gsm	17,231	16,497	-	-	-
Park Rapids	gsb	654,415	509,368	-	-	-
Parkers Prairie	ges	252,581	285,204	26,814	11,991	25,606
Paynesville	ges	579,129	627,539	251,416	209,483	48,410
Pease	gsm	16,924	16,423	-	-	-
Pelican Rapids	ges	605,310	665,511	572,547	513,250	60,201
Pemberton	gsm	27,927	27,019	1,210	-	1,104
Pennock	ges	96,184	105,684	16,480	10,705	9,500
Pequot Lakes	gsb	101,083	94,561	-	-	-
Perham	gsb	509,088	585,623	49,532	19,554	47,090
Perley	gsm	20,878	22,618	1,909	753	1,815
Peterson	gsm	41,159	45,177	3,801	1,500	3,614
Pierz	ges	233,611	259,585	139,479	120,517	25,973
Pillager	gsm	106,081	121,445	19,331	14,588	15,364
Pine City	gsb	580,209	505,840	11,045	-	9,079
Pine Island	gmg	588,631	670,587	95,993	64,774	81,956
Pine River	gsb	255,142	263,113	22,403	8,844	21,299
Pine Springs	mhi	2,526	2,526	-	-	-
Pipestone	ges	1,456,449	1,550,861	347,795	257,051	94,411
Plainview	gmg	634,454	614,518	51,760	20,434	49,208
Plato	gsm	28,598	26,895	2,171	857	2,064
Plummer	gsm	46,517	45,681	3,839	1,516	3,650
Plymouth	mlc	-	-	-	-	-
Porter	gsm	43,403	40,844	1,652	-	1,488
Preston	ges	501,102	545,010	46,702	18,437	44,399
Princeton	gsb	767,812	818,339	68,852	27,181	65,457
Prinsburg	gsm	86,516	81,163	3,029	-	2,708
Prior Lake	mhg	-	-	-	-	-
Proctor	ges	821,473	889,658	301,128	245,207	68,184
Quamba	gsm	9,692	11,498	5,889	5,078	1,807
Racine	gsm	51,203	60,158	5,023	1,983	4,775
Ramsey	mhg	-	-	-	-	-
Randall	ges	93,825	102,435	29,799	23,568	8,610
Randolph	msm	8,554	11,889	2,578	1,984	2,529
Ranier	gsm	24,601	24,543	2,044	807	1,943
Raymond	ges	191,994	205,660	18,133	7,520	13,667
Red Lake Falls	ges	567,938	604,685	59,959	28,217	36,747
Red Wing	grc	1,692,922	1,243,707	50,202	19,819	47,727
Redwood Falls	gmg	1,159,223	1,254,319	109,182	43,103	103,798
Regal	gsm	1,270	1,523	114	45	108
Remer	gsm	50,851	49,027	4,080	1,611	3,879
Renville	ges	483,031	460,683	36,235	12,527	34,304
Revere	gsm	25,301	23,931	1,371	175	1,274
Rice	ghi	88,853	120,858	25,641	18,845	25,088
Richfield	mol	813,633	1,193,095	103,852	40,998	98,731
Richmond	gmg	254,284	299,509	27,801	12,322	26,540
Richville	gsm	9,797	11,600	4,254	3,520	1,803
Riverton	gsm	7,570	7,068	-	-	-
Robbinsdale	msm	1,159,138	983,829	85,637	33,808	81,415
Rochester	gmj	5,719,725	6,254,448	326,806	129,016	310,691
Rock Creek	ges	118,505	138,505	61,092	51,826	20,000
Rockford	gmg	348,366	272,108	21,684	8,560	20,614
Rockville	guf	85,632	29,257	1,182	467	1,124
Rogers	mhg	-	-	-	-	-



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Rollingstone	ges	106,287	120,082	17,889	11,392	13,796
Ronneby	gsm	3,205	3,865	541	336	525
Roosevelt	gsm	10,047	11,147	16,726	15,419	1,100
Roscoe	gsm	18,281	19,881	7,362	6,074	1,600
Rose Creek	gsm	72,307	72,440	6,105	2,410	5,804
Roseau	gsb	583,623	671,457	56,983	22,496	54,173
Rosemount	mhg	-	-	-	-	-
Roseville	mdv	-	-	-	-	-
Rothsay	gsm	107,901	115,570	20,457	14,014	7,669
Round Lake	gsm	81,092	88,373	46,979	40,543	7,281
Royalton	ges	127,424	145,257	49,795	40,605	17,834
Rush City	gmj	451,686	484,496	821,514	759,202	32,810
Rushford	gmj	463,227	518,227	168,592	135,829	55,000
Rushford Village	ges	75,239	74,029	6,045	2,386	5,747
Rushmore	gsm	91,587	100,711	9,088	3,873	8,663
Russell	gsm	88,605	85,679	7,276	2,872	6,918
Ruthton	gsm	76,932	82,159	7,013	2,769	6,667
Rutledge	gsm	3,385	3,353	-	-	-
Sabin	gsm	68,818	74,718	11,582	7,518	5,900
Sacred Heart	ges	205,008	195,223	16,720	6,601	15,896
Saint Anthony (Henn.)	msm	-	117,166	10,198	4,026	9,695
Saint Anthony (Stearns)	gsm	5,697	5,927	7,518	6,890	231
Saint Augusta	ghi	229,936	276,736	96,392	79,107	46,800
Saint Bonifacius	mhg	242,469	322,661	124,862	103,882	80,191
Saint Charles	gmj	625,089	682,938	213,948	171,519	57,850
Saint Clair	gmj	155,808	174,258	21,606	12,349	18,450
Saint Cloud	gmj	11,876,857	11,814,245	810,758	320,068	770,779
Saint Francis	mhg	200,000	200,000	-	-	-
Saint Hilaire	gsm	45,823	49,103	27,923	24,270	3,281
Saint James	ges	1,272,451	1,333,378	256,469	180,767	60,927
Saint Joseph	gmj	773,509	825,565	71,862	28,370	68,318
Saint Leo	gsm	13,911	14,911	4,760	3,836	1,000
Saint Louis Park	mdv	-	-	-	-	-
Saint Martin	gsm	24,551	26,942	2,191	865	2,083
Saint Mary's Point	msm	2,064	2,064	-	-	-
Saint Michael	guf	-	-	-	-	-
Saint Paul	msh	59,544,621	61,433,154	5,347,445	2,111,046	5,083,755
Saint Paul Park	msm	215,323	230,931	20,102	7,936	19,111
Saint Peter	ges	2,047,099	2,223,172	755,353	611,005	176,073
Saint Rosa	gsm	1,408	1,259	-	-	-
Saint Stephen	ghi	106,839	110,780	9,202	3,633	8,748
Saint Vincent	gsm	14,556	15,400	11,572	10,293	845
Sanborn	gsm	122,107	130,090	12,796	5,989	7,982
Sandstone	gmj	638,990	689,053	598,381	536,714	50,063
Sargeant	gsm	8,246	9,746	4,166	3,514	1,500
Sartell	guf	139,988	104,701	9,114	3,598	8,664
Sauk Centre	gmj	1,141,821	1,197,483	102,105	40,309	97,070
Sauk Rapids	ghi	2,060,941	2,232,097	167,067	65,954	158,828
Savage	mhg	-	-	-	-	-
Scanlon	ges	217,521	204,877	-	-	-
Seaforth	gsm	17,488	18,104	1,541	608	788
Sebeka	ges	190,856	179,092	11,138	2,117	10,403
Sedan	gsm	5,953	6,600	546	216	519
Shafer	gsm	85,023	94,074	7,807	3,082	7,422
Shakopee	mhg	-	-	-	-	-

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Shelly	gsm	63,977	66,067	11,717	8,022	2,090
Sherburn	ges	335,505	337,136	28,804	11,371	27,384
Shevlin	gsm	16,631	18,291	10,091	8,765	1,660
Shoreview	mol	-	-	-	-	-
Shorewood	mhi	-	-	-	-	-
Silver Bay	ges	483,219	538,667	57,842	29,529	55,447
Silver Lake	ges	186,791	177,392	7,699	-	6,987
Skyline	gsm	5,100	4,911	-	-	-
Slayton	ges	758,111	804,071	130,309	85,624	45,960
Sleepy Eye	ges	1,246,304	1,319,828	176,606	105,134	73,523
Sobieski	gsm	7,172	10,364	1,593	1,066	1,550
Solway	gsm	6,459	6,088	-	-	-
South Haven	gsm	32,565	30,847	-	-	-
South St. Paul	mol	2,199,803	1,779,659	154,911	61,155	147,272
Spicer	gsb	132,092	126,967	10,444	4,123	9,929
Spring Grove	ges	393,044	418,687	58,536	35,787	25,643
Spring Hill	gsm	3,096	2,847	-	-	-
Spring Lake Park	msm	-	-	-	-	-
Spring Park	msm	88,756	84,784	-	-	-
Spring Valley	ges	819,027	883,387	75,551	29,826	71,825
Springfield	ges	794,502	859,959	202,284	151,441	65,457
Squaw Lake	gsm	10,101	10,576	1,522	963	474
Stacy	gmg	163,580	191,399	103,649	89,730	27,818
Staples	ges	957,755	1,010,903	157,447	101,741	53,148
Starbuck	ges	370,214	374,917	31,940	12,609	30,365
Steen	gsm	20,725	22,525	20,332	18,306	1,800
Stephen	ges	153,774	165,954	23,066	14,107	12,180
Stewart	ges	160,090	150,459	-	-	-
Stewartville	gmg	736,708	739,928	64,407	25,427	61,231
Stillwater	msm	911,838	974,552	84,830	33,489	80,647
Stockton	gmg	80,710	91,770	56,614	49,631	11,060
Storden	gsm	80,040	75,510	6,083	2,204	5,767
Strandquist	gsm	14,929	15,479	5,479	4,487	550
Strathcona	gsm	3,271	3,243	267	105	254
Sturgeon Lake	gsm	27,013	26,355	-	-	-
Sunburg	gsm	24,879	26,402	2,244	886	2,134
Sunfish Lake	mhi	3,180	3,180	-	-	-
Swanville	gsm	78,356	77,620	6,571	2,594	6,247
Taconite	gsm	113,270	106,347	-	-	-
Tamarack	gsm	3,533	3,285	147	-	134
Taopi	gsm	5,622	6,072	8,964	8,261	450
Taunton	gsm	23,959	26,689	23,763	21,374	2,730
Taylors Falls	gmg	209,924	202,947	10,633	1,805	9,914
Tenney	gsm	1,302	1,216	-	-	-
Tenstrike	gsm	3,228	3,161	-	-	-
Thief River Falls	ges	2,168,818	2,339,780	472,903	336,591	170,963
Thomson	gsm	12,294	11,476	-	-	-
Tintah	gsm	11,346	12,308	1,035	409	984
Tonka Bay	mhi	9,600	9,690	-	-	-
Tower	gsm	105,026	97,576	-	-	-
Tracy	ges	916,830	958,007	82,249	32,470	78,193
Trail	gsm	3,074	2,893	-	-	-
Trimont	ges	224,366	217,080	18,526	7,313	17,612
Trommald	gsm	9,140	8,597	-	-	-
Trosky	gsm	9,863	11,163	11,128	10,079	1,300

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Truman	ges	380,577	400,577	55,035	33,303	20,000
Turtle River	gsm	444	444	-	-	-
Twin Lakes	gsm	33,071	31,121	-	-	-
Twin Valley	ges	260,441	274,070	30,888	16,349	13,629
Two Harbors	ges	1,238,451	1,195,819	102,167	40,333	97,129
Tyler	ges	338,014	356,520	91,865	70,479	18,506
Ulen	ges	135,167	140,552	28,522	20,489	5,384
Underwood	gsm	79,197	75,119	5,445	1,638	5,135
Upsala	gsm	68,099	64,464	-	-	-
Urbank	gsm	4,982	5,249	3,694	3,278	267
Utica	gsm	27,857	26,644	-	-	-
Vadnais Heights	mhg	-	-	-	-	-
Vergas	gsm	35,086	35,011	2,876	1,136	2,734
Vermillion	msm	6,861	6,558	-	-	-
Verndale	ges	132,075	133,217	11,301	4,461	10,744
Vernon Center	gsm	70,271	67,602	-	-	-
Vesta	gsm	87,339	86,308	7,344	2,900	6,982
Victoria	mhg	-	-	-	-	-
Viking	gsm	22,834	21,498	-	-	-
Villard	gsm	41,083	38,901	2,699	753	2,541
Vining	gsm	11,382	10,782	-	-	-
Virginia	grc	3,656,842	3,917,207	485,198	271,843	260,365
Wabasha	ges	721,085	642,080	54,495	21,513	51,808
Wabasso	ges	179,288	181,766	15,478	6,110	14,715
Waconia	mhg	-	-	-	-	-
Wadena	ges	1,087,711	1,155,018	365,699	293,236	67,306
Wahkon	gsm	13,542	12,697	-	-	-
Waite Park	gsb	158,543	-	-	-	-
Waldorf	gsm	52,519	49,300	-	-	-
Walker	gsb	139,413	145,780	12,099	4,776	11,503
Walnut Grove	ges	211,005	230,615	28,954	16,590	19,610
Walters	gsm	23,275	21,934	-	-	-
Waltham	gsm	37,035	39,391	3,328	1,314	2,525
Wanamingo	gmg	225,506	238,984	20,253	7,995	19,254
Wanda	gsm	19,509	22,218	1,888	746	1,795
Warba	gsm	14,619	14,065	508	-	455
Warren	ges	443,959	469,959	315,309	277,741	26,000
Warroad	gsb	499,026	560,226	318,458	283,650	61,200
Waseca	ges	2,318,869	2,568,971	237,220	101,223	226,139
Watertown	msm	170,097	170,120	12,731	5,026	12,103
Waterville	ges	565,573	538,667	44,889	17,158	42,629
Watkins	ges	179,871	203,063	52,298	40,191	23,191
Watson	gsm	56,301	56,343	4,801	1,895	4,564
Waubun	gsm	72,416	79,416	16,037	11,525	7,000
Waverly	gmg	72,332	67,290	-	-	-
Wayzata	mdv	24,420	24,438	-	-	-
Welcome	ges	217,675	224,618	19,202	7,581	18,255
Wells	ges	834,602	885,917	244,728	190,671	51,314
Wendell	gsm	42,578	40,045	1,742	-	1,581
West Concord	ges	249,581	250,291	21,344	8,426	20,291
West St. Paul	mol	201,544	349,347	30,409	12,004	28,909
West Union	gsm	3,974	4,524	1,625	1,350	550
Westbrook	ges	268,009	253,277	12,792	111	11,759
Westport	gsm	2,825	3,298	6,175	5,736	472
Whalan	gsm	10,417	9,764	-	-	-

NAME	Cluster	Certified 2006 LGA	Projected 2007 LGA under Current Law	Increase Relative to Projected 2007 Current Law		
				Projected 2007 LGA under HF 3374	Proj. 2007 LGA under HF 3374 with \$34 million increase	Proj. '07 LGA under HF 3374 with \$34 million increase & 20% net levy cap
Wheaton	ges	580,299	629,717	54,015	21,323	51,351
White Bear Lake	mol	483,479	781,120	67,992	26,841	64,639
Wilder	gsm	15,322	15,944	1,349	533	1,283
Willernie	msm	52,222	55,182	4,490	1,773	4,269
Williams	gsm	38,756	38,860	3,277	1,294	3,115
Willmar	grc	4,383,821	4,617,388	386,839	183,140	233,566
Willow River	gsm	36,728	34,881	-	-	-
Wilmont	gsm	79,360	84,944	7,227	2,853	6,871
Wilton	gsm	2,377	3,095	3,193	2,944	718
Windom	ges	1,144,310	1,259,314	215,296	145,134	115,003
Winger	gsm	39,968	39,566	3,345	1,320	3,180
Winnebago	ges	545,558	577,433	67,329	36,499	31,874
Winona	grc	9,530,901	10,056,083	960,382	490,662	525,182
Winsted	gmg	649,702	680,750	58,018	22,904	55,157
Winthrop	ges	444,262	451,885	38,630	15,250	36,725
Winton	gsm	30,805	29,001	463	-	351
Wolf Lake	gsm	1,501	2,251	5,601	5,234	750
Wolverton	gsm	26,359	25,639	2,157	852	2,050
Wood Lake	gsm	121,081	118,047	10,056	3,970	9,560
Woodbury	mhg	-	-	-	-	-
Woodland	mhi	2,928	2,946	-	-	-
Woodstock	gsm	35,046	34,473	2,945	1,162	2,799
Worthington	grc	2,854,767	2,998,965	228,230	90,100	216,976
Wrenshall	gsm	55,195	51,996	-	-	-
Wright	gsm	9,098	8,654	378	-	345
Wykoff	gsm	128,269	121,389	5,461	-	4,971
Wyoming	ghi	22,512	23,406	-	-	-
Zemple	gsm	982	922	-	-	-
Zimmerman	guf	340,585	341,836	27,411	10,821	26,060
Zumbro Falls	gsm	33,042	36,632	4,063	2,141	3,590
Zumbrota	gmg	543,043	552,438	46,496	18,355	44,203
<b>STATE TOTAL</b>		<b>484,558,200</b>	<b>484,558,200</b>	<b>58,070,083</b>	<b>34,000,000</b>	<b>34,000,000</b>
<b>GREATER MINNESOTA CITIES</b>						
Established Cities	209	99,307,223	103,964,880	18,993,204	13,369,519	7,358,312
High Income Cities	26	9,401,800	9,127,151	674,811	316,905	597,466
Moderate Cities	59	24,762,285	25,899,163	4,963,685	3,524,662	2,229,502
Major Cities	3	44,325,188	45,907,509	4,729,818	2,639,247	2,191,680
Regional Centers	22	101,146,271	101,834,548	9,469,287	5,040,865	5,865,494
Sub-Regional Centers	27	16,335,793	16,672,435	2,786,833	1,927,048	1,172,812
Small Cities	359	14,142,562	14,178,616	1,677,637	1,096,742	808,064
Urban Fringe Cities	10	2,085,249	2,038,283	168,202	66,402	159,907
<b>Gr. MN Total</b>	<b>715</b>	<b>311,506,371</b>	<b>319,622,585</b>	<b>43,463,477</b>	<b>27,981,390</b>	<b>20,383,237</b>
<b>METRO CITIES</b>						
Diversified Cities	15	1,061,978	1,132,332	70,139	28,055	66,709
High Growth Cities	35	1,144,732	1,356,731	165,247	125,222	119,024
High Income Cities	20	245,486	290,466	10,724	4,234	10,195
Large Cities	12	450,000	450,000	-	-	-
Older Cities	13	8,527,607	8,203,872	709,753	280,191	674,754
Small Cities	41	8,129,305	8,288,149	1,010,595	590,874	729,237
Central Cities	2	153,492,721	145,214,065	12,640,148	4,990,034	12,016,844
<b>Metro Total</b>	<b>138</b>	<b>173,051,829</b>	<b>164,935,615</b>	<b>14,606,606</b>	<b>6,018,610</b>	<b>13,616,763</b>

1.1 Senator Pogemiller from the Committee on Taxes, to which was re-referred

1.2 H.F. No. 3374: A bill for an act relating to human services; changing a Council on  
1.3 Disability provision; amending Minnesota Statutes 2004, section 256.482, subdivision 8.

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

1.5 Delete everything after the enacting clause and insert:

1.6 "ARTICLE 1  
1.7 INCOME TAX

1.8 Section 1. [41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.

1.9 Subdivision 1. Definitions. (a) For purposes of this section, the following terms  
1.10 have the meanings given.

1.11 (b) "Farm" means any tract of land over ten acres in area used for or devoted to the  
1.12 commercial production of farm products.

1.13 (c) "Farm product" means those plants and animals useful to humans and includes,  
but is not limited to, forage and sod crops, grain and feed crops, dairy and dairy products,  
1.15 poultry and poultry products, livestock, fruits, and vegetables.

1.16 (d) "Farming or livestock production" means the active use, management, and  
1.17 operation of real and personal property for the production of a farm product.

1.18 (e) "Beginning farmer or livestock producer" means a resident of Minnesota who:

1.19 (1) is seeking entry or has entered within the last two years into farming or livestock  
1.20 production;

1.21 (2) intends to farm or raise crops or livestock on land located within the state borders  
1.22 of Minnesota; and

1.23 (3) meets the following eligibility requirements as determined by the authority:

(i) has a net worth of not more than \$200,000, including any holdings by a spouse  
1.25 or dependent, based on fair market value;

1.26 (ii) provides the majority of the day-to-day physical labor and management of the  
1.27 farm;

1.28 (iii) has, by the judgment of the Rural Finance Authority ("authority"), adequate  
1.29 farming or livestock production experience or demonstrates knowledge in the type of  
1.30 farming or livestock production for which the beginning farmer seeks assistance from  
1.31 the authority;

1.32 (iv) demonstrates to the authority a profit potential by submitting projected earnings  
1.33 statements;

1.34 (v) asserts to the satisfaction of the authority that farming or livestock production  
will be a significant source of income for the beginning farmer or livestock producer;

(vi) participates in a financial management program approved by the authority or the commissioner of agriculture; and

(vii) has other such qualifications as specified by the authority.

**Subd. 2. Beginning farmer management tax credit.** (a) A beginning farmer or livestock producer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. The credit is equal to 100 percent of the cost of participating in the program or \$500, whichever is less. The credit is available for up to three years while the farmer is in the program. The authority shall maintain a list of approved financial management programs and establish a procedure for approving equivalent programs that are not on the list.

(b) The credit is limited to the liability for tax, as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover according to section 290.06, subdivision 35.

**Subd. 3. Authority's duties.** The authority shall:

(1) approve and certify beginning farmers and livestock producers as eligible for the program under this section;

(2) provide necessary and reasonable assistance and support to beginning farmers and livestock producers for qualification and participation in financial management programs approved by the authority; and

(3) refer beginning farmers and livestock producers to agencies and organizations that may provide additional pertinent information and assistance.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19b, is amended to read:

**Subd. 19b. Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) net 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, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten

to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child 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 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "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. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(8) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed

under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

(10) job opportunity building zone income as provided under section 469.316;

(11) the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

(12) the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota;

(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An



individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); and

(16) international economic development zone income as provided under section 469.325; and

(17) to the extent included in federal taxable income, a percentage of compensation received from a pension or other retirement pay from the government for service in the armed forces of the United States, up to a maximum amount.

For taxable years beginning after December 31, 2005, and before January 1, 2007, the percentage is 25 percent and the maximum amount is \$7,500; for taxable years beginning after December 31, 2006, and before January 1, 2008, the percentage is 50 percent and the maximum amount is \$15,000; for taxable years beginning after December 31, 2007, and before January 1, 2009, the percentage is 75 percent and the maximum amount is \$22,500; and for taxable years beginning after December 31, 2008, the percentage is 100 percent and there is no maximum amount.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

Subd. 28. **Credit Credits and refunds for transit passes.** (a) A taxpayer may take a credit against the tax due under this chapter equal to 30 percent of the expense incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes from the transit system operator, and resells them to the employees, the credit is based on

the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

(b) An employer that is exempt from taxation under section 290.05, but excluding entities enumerated in section 290.05, subdivision 1, clause (b), may claim a refund equal to 30 percent of an expense incurred by the employer to provide transit passes to the employer's employees for use in Minnesota.

(c) The commissioner shall prescribe the forms for and the manner in which the refund may be claimed. The commissioner must provide for paying refunds at least quarterly. The commissioner may set a minimum amount of qualifying expenses that must be incurred before a refund may be claimed.

(d) An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for transit passes purchased after June 30, 2006.

Sec. 4. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 33. Film production credit.** (a) A taxpayer is allowed a credit against the taxes due under this chapter equal to 15 percent of film production expenditures made in Minnesota that are directly attributable to film production in Minnesota. For purposes of this subdivision, "film" means a movie, documentary, or music video, whether on film or video; and "film production" means all the activities related to (i) the preparation for shooting, (ii) the shooting, including processing, and (iii) the editing and finishing of a film. For purposes of this subdivision, the following is not a "film:"

(1) news, current events, or public programming or a program that includes weather or market reports;

(2) a talk show;

(3) a production with respect to a questionnaire or contest;

(4) a sports event or sports activity;

(5) a gala representation or awards show;

(6) a finished production that solicits funds; or

(7) a production for which the production company is required under United States Code, title 18, section 2257, to maintain records with respect to a performer portrayed in a single media or multimedia program.

(b) Expenditures that qualify for the credit under this subdivision must be subject to taxation in Minnesota and include:

(1) payment of wages, fringe benefits, or fees for talent, management, or labor to a person who is a Minnesota resident for purposes of this chapter;

(2) payment to personal services corporations for the services of a performing artist, if the performing artist receiving payments from the personal services corporation pays Minnesota income tax; and

(3) any of the following provided by a vendor:

(i) the story and scenario to be used for a film;

(ii) set construction and operations, wardrobe, accessories, and related services;

(iii) photography, sound synchronization, lighting, and related services;

(iv) editing and related services;

(v) rental of facilities and equipment;

(vi) leasing of vehicles; and

(vii) food and lodging.

(c) If the amount of the credit under this subdivision exceeds the taxpayer's tax liability under this chapter for the taxable year, the amount of the excess must be refunded to the taxpayer. The amount necessary to pay the refunds is appropriated annually from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 5. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 34. Credit for military service.** (a) An individual may take a credit against the tax due under this chapter equal to \$59 for each month or portion thereof the individual was in active military service in a designated area after September 11, 2001. An individual may take this credit in the taxable year the individual returns to Minnesota residency following active military service in a designated area. If a Minnesota resident served in a designated area between September 11, 2001, and December 31, 2005, the individual may take this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(b) If a Minnesota resident is killed while serving in active military service in a designated area, the individual's surviving spouse or dependent child may take this credit in the taxable year of the death. If a Minnesota resident was killed while serving in a designated area between September 11, 2002, and December 31, 2005, the individual's surviving spouse or dependent child may take this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(c) For purposes of this section, a "designated area" means a:

(1) combat zone designated by Executive Order from the President of the United States;

(2) qualified hazardous duty area, designated in Public Law; or

(3) location certified by the U.S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(d) For purposes of this section, active military service includes active duty service in any of the United States Armed Forces, the National Guard, or reserves.

(e) If the amount of the credit which the taxpayer is eligible to receive under this section exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(f) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 35. Beginning farmer management credit.** (a) A taxpayer who is a beginning farmer or livestock producer may take a credit against the tax due under this chapter for participation in a financial management program according to section 41B.0391, subdivision 3.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover to each of the three succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax less the beginning farmer management credit for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

9.1        Subd. 36. Bovine testing credit. (a) An owner of cattle in Minnesota may take a  
9.2        credit against the tax due under this chapter for an amount equal to one-half the expenses  
9.3        incurred during the taxable year to conduct tuberculosis testing on those cattle.

9.4        (b) If the amount of credit which the taxpayer is eligible to receive under this  
9.5        subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of  
9.6        revenue shall refund the excess to the taxpayer.

9.7        (c) The amount necessary to pay claims for the refund provided in this subdivision is  
9.8        appropriated from the general fund to the commissioner of revenue.

9.9        EFFECTIVE DATE. This section is effective for taxable years beginning after  
9.10       December 31, 2005.

9.11       Sec. 8. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision  
9.12       to read:

9.13       Subd. 37. Dairy investment credit. (a) A dairy investment credit is allowed against  
9.14       the tax due under this chapter equal to ten percent of the amount paid or incurred by the  
9.15       taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period.

9.16       (b) "Qualifying expenditures" means for purposes of this subdivision the amount  
9.17       spent by a person who raises dairy animals for the acquisition, construction, or  
9.18       improvement of buildings or facilities; or the development of pasture; or the acquisition of  
9.19       equipment; for dairy animal housing, confinement, animal feeding, production of milk  
9.20       and other dairy products, and waste management, including the following, if related to  
9.21       dairy animals in this state:

9.22       (1) freestall barns;

9.23       (2) fences;

9.24       (3) watering facilities;

9.25       (4) feed storage and handling equipment;

9.26       (5) milking parlors;

9.27       (6) robotic equipment;

9.28       (7) scales;

9.29       (8) milk storage and cooling facilities;

9.30       (9) bulk tanks;

9.31       (10) manure pumping and storage facilities;

9.32       (11) digesters;

9.33       (12) equipment used to produce energy.

9.34       (13) on-farm processing of milk and other dairy products; and

9.35       (14) development of pasture owned or rented by the taxpayer for the use of dairy  
9.36       animals.

10.1 Qualified expenditures only include amounts that are capitalized and deducted under either  
10.2 section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

10.3 (c) The credit is limited to the liability for tax, as computed under this chapter,  
10.4 for qualifying expenditures, other than expenditures for development of pasture, only  
10.5 include amounts that are capitalized and deducted under either section 167 or 179 of the  
10.6 Internal Revenue Code in computing federal taxable income. Qualifying expenditures  
10.7 for development of pasture must not include land acquisition and are limited to soil  
10.8 preparation expenses, seed costs, planting costs, and weed control, which are allowed once  
10.9 for each acre owned or rented by the taxpayer for the use of dairy animals and developed  
10.10 into pasture during the qualifying period. The amount of the unused credit which may  
10.11 be added under this paragraph must not exceed the taxpayer's liability for tax less the  
10.12 dairy investment credit for the taxable year.

10.13 (d) The qualifying period is that time after December 31, 2005, and before January  
10.14 1, 2012.

10.15 (e) The \$50,000 maximum credit applies at the entity level for partnerships, S  
10.16 corporations, trusts, and estates as well as at the individual level. In the case of married  
10.17 individuals, the credit is limited to \$50,000 for a married couple.

10.18 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
10.19 December 31, 2005.

10.20 Sec. 9. [290.0677] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

10.21 Subdivision 1. Definitions. (a) As used in this section, the terms defined in this  
10.22 subdivision have the meanings given.

10.23 (b) "Certified historic structure" means a property located in Minnesota and listed  
10.24 individually on the National Register of Historic Places or a historic property designated  
10.25 by either a certified local government or a heritage preservation commission created  
10.26 under the National Historic Preservation Act of 1966 and whose designation is approved  
10.27 by the state historic preservation officer.

10.28 (c) "Eligible property" means a certified historic structure or a structure in a certified  
10.29 historic district that is offered or used for residential or business purposes.

10.30 (d) "Structure in a certified historic district" means a structure located in Minnesota  
10.31 that is certified by the State Historic Preservation Office as contributing to the historic  
10.32 significance of a certified historic district listed on the National Register of Historic Places  
10.33 or a local district that has been certified by the United States Department of the Interior.

10.34 Subd. 2. Credit allowed. A taxpayer who incurs costs for the rehabilitation of  
10.35 eligible property may take a credit against the tax imposed under this chapter in an amount

11.1 equal to ten percent of the total costs of rehabilitation. Costs of rehabilitation include,  
11.2 but are not limited to, qualified rehabilitation expenditures as defined under section  
11.3 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must  
11.4 exceed 50 percent of the total basis in the property at the time the rehabilitation activity  
11.5 begins and the rehabilitation must meet standards consistent with the standards of the  
11.6 Secretary of the Interior for rehabilitation as determined by the State Historic Preservation  
11.7 Office of the Minnesota Historical Society.

11.8 Subd. 3. **Carryback and carryforward.** If the amount of the credit under  
11.9 subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is  
11.10 incurred, the amount that exceeds the tax liability may be carried back to any of the three  
11.11 preceding taxable years or carried forward to each of the ten taxable years succeeding the  
11.12 taxable year in which the expense was incurred. The entire amount of the credit must  
11.13 be carried to the earliest taxable year to which the amount may be carried. The unused  
11.14 portion of the credit must be carried to the following taxable year.

11.15 Subd. 4. **Partnerships; multiple owners; transfers.** (a) Credits granted to a  
11.16 partnership, a limited liability company taxed as a partnership, or multiple owners of  
11.17 property shall be passed through to the partners, members, or owners, respectively, pro  
11.18 rata or pursuant to an executed agreement among the partners, members, or owners  
11.19 documenting an alternate distribution method.

11.20 (b) Taxpayers eligible for credits may transfer, sell, or assign the credits in whole  
11.21 or part. Any assignee may use acquired credits to offset up to 100 percent of the taxes  
11.22 otherwise imposed by this chapter. The assignee shall perfect such transfer by notifying  
11.23 the Department of Revenue in writing within 30 calendar days following the effective  
11.24 date of the transfer in such form and manner as shall be prescribed by the Department  
11.25 of Revenue. The proceeds of any sale or assignment of a credit shall be exempt from  
11.26 taxation under this chapter.

11.27 Subd. 5. **Process.** To claim the credit, the taxpayer must apply to the State Historic  
11.28 Preservation Office of the Minnesota Historical Society before a historic rehabilitation  
11.29 project begins. The State Historic Preservation Office shall determine the amount of  
11.30 eligible rehabilitation costs and whether the rehabilitation meets the standards of the  
11.31 United States Department of the Interior. The State Historic Preservation Office shall issue  
11.32 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach  
11.33 the certificate to any income tax return on which the credit is claimed. The State Historic  
11.34 Preservation Office of the Minnesota Historical Society may collect fees for applications  
11.35 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed  
11.36 the costs of administering the tax credit program.

12.1 Subd. 6. Mortgage certificates; credit for lending institutions. (a) The taxpayer  
12.2 may elect, in lieu of the credit otherwise allowed under this section, to receive a historic  
12.3 rehabilitation mortgage credit certificate.

12.4 (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a  
12.5 certificate that is issued to the taxpayer according to procedures prescribed by the State  
12.6 Historic Preservation Office with respect to the certified rehabilitation and which meets  
12.7 the requirements of this paragraph. The face amount of the certificate must be equal to  
12.8 the credit that would be allowable under subdivision 2 to the taxpayer with respect to  
12.9 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending  
12.10 institution, including a nondepository home mortgage lending institution, in connection  
12.11 with a loan:

12.12 (1) that is secured by the building with respect to which the credit is issued; and  
12.13 (2) the proceeds of which may not be used for any purpose other than the acquisition  
12.14 or rehabilitation of the building.

12.15 (c) In exchange for the certificate, the lending institution must provide to the  
12.16 taxpayer an amount equal to the face amount of the certificate discounted by the amount  
12.17 by which the federal income tax liability of the lending institution is increased due to its  
12.18 use of the certificate in the manner provided in this section. That amount must be applied,  
12.19 as directed by the taxpayer, in whole or in part, to reduce:

12.20 (1) the principal amount of the loan;  
12.21 (2) the rate of interest on the loan; or  
12.22 (3) the taxpayer's cost of purchasing the building, but only in the case of a qualified  
12.23 historic home that is located in a poverty-impacted area as designated by the State Historic  
12.24 Preservation Office. The lending institution may take as a credit against the tax due under  
12.25 this chapter an amount equal to the amount specified in the certificate. If the amount of  
12.26 the discount retained by the lender exceeds the amount by which the lending institution's  
12.27 federal income tax liability is increased due to the use of a mortgage credit certificate, the  
12.28 excess shall be refunded to the borrower with interest at the rate prescribed by the State  
12.29 Historic Preservation Office. The lending institution may carry forward all unused credits  
12.30 under this subdivision until exhausted. Nothing in this subdivision requires a lending  
12.31 institution to accept a historic rehabilitation certificate from any person.

12.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
12.33 December 31, 2005.

12.34 Sec. 10. Minnesota Statutes 2004, section 290.10, is amended to read:

12.35 **290.10 NONDEDUCTIBLE ITEMS.**



13.1 Subdivision 1. Expenses, interest, and taxes. Except as provided in section 290.17,  
13.2 subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction shall  
13.3 in any case be allowed for expenses, interest and taxes connected with or allocable against  
13.4 the production or receipt of all income not included in the measure of the tax imposed by  
13.5 this chapter, except that for corporations engaged in the business of mining or producing  
13.6 iron ore, the mining of which is subject to the occupation tax imposed by section 298.01,  
13.7 subdivision 4, this shall not prevent the deduction of expenses and other items to the extent  
13.8 that the expenses and other items are allowable under this chapter and are not deductible,  
13.9 capitalizable, retainable in basis, or taken into account by allowance or otherwise in  
13.10 computing the occupation tax and do not exceed the amounts taken for federal income  
13.11 tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes  
13.12 imposed under chapter 299, or depletion expenses may not be deducted under this clause.

13 Subd. 2. Fines, penalties, damages, and expenses. (a) No deduction from taxable  
13.14 income for a trade or business expense under section 162(a) of the Internal Revenue Code  
13.15 shall be allowed for any fine, penalty, damages, or expenses paid to:

13.16 (1) the government of the United States, a state, a territory or possession of the  
13.17 United States, the District of Columbia, or the Commonwealth of Puerto Rico;

13.18 (2) the government of a foreign country; or

13.19 (3) a political subdivision of, or corporation or other entity serving as an agency or  
13.20 instrumentality of, any government described in clause (1) or (2).

13.21 (b) For purposes of this subdivision, "fine, penalty, damages, or expenses" include,  
13.22 but are not limited to, any amount:

13.23 (1) paid pursuant to a conviction or a plea of guilty or nolo contendere for any  
13.24 crime in a criminal proceeding;

13.25 (2) paid as a civil penalty imposed by federal, state, or local law, including tax  
13.26 penalties and interest;

13.27 (3) paid in settlement of the taxpayer's actual or potential liability for a civil or  
13.28 criminal fine or penalty;

13.29 (4) forfeited as collateral posted in connection with a proceeding that could result in  
13.30 imposition of a fine or penalty; or

13.31 (5) legal fees and related expenses paid or incurred in the prosecution or civil action  
13.32 arising from a violation of the law imposing the fine or civil penalty, court costs assessed  
13.33 against the taxpayer, or stenographic and printing charges, compensatory damages,  
13.34 punitive damages, or restitution.

13.35 EFFECTIVE DATE. This section is effective for taxable years beginning after  
13.36 December 31, 2005.

## ARTICLE 2

## INCOME TAX REFORM

Section 1. Minnesota Statutes 2005 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through April 15 ~~December 31~~, 2005.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and 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(g) 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;

(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; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) 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 net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) 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(g) 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(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income or sales and use taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid or sales and use 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 minus the addition which would have been required under clause (10) if the taxpayer had claimed the standard deduction.~~

For the purpose of this paragraph, the disallowance of itemized deductions under section

16.1 68 of the Internal Revenue Code of 1986, income or sales and use tax is the last itemized  
16.2 deduction disallowed;

16.3 (3) the capital gain amount of a lump sum distribution to which the special tax under  
16.4 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

16.5 (4) the amount of income taxes paid or accrued within the taxable year under this  
16.6 chapter and taxes based on net income paid to any other state or any province or territory  
16.7 of Canada, to the extent allowed as a deduction in determining federal adjusted gross  
16.8 income. For the purpose of this paragraph, income taxes do not include the taxes imposed  
16.9 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

16.10 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10  
16.11 other than expenses or interest used in computing net interest income for the subtraction  
16.12 allowed under subdivision 19b, clause (1);

16.13 (6) the amount of a partner's pro rata share of net income which does not flow  
16.14 through to the partner because the partnership elected to pay the tax on the income under  
16.15 section 6242(a)(2) of the Internal Revenue Code;

16.16 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
16.17 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
16.18 in the taxable year generates a deduction for depreciation under section 168(k) and the  
16.19 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
16.20 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
16.21 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
16.22 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
16.23 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
16.24 under section 168(k) is allowed;

16.25 (8) 80 percent of the amount by which the deduction allowed by section 179 of the  
16.26 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
16.27 Revenue Code of 1986, as amended through December 31, 2003;

16.28 (9) to the extent deducted in computing federal taxable income, the amount of the  
16.29 deduction allowable under section 199 of the Internal Revenue Code; and

16.30 ~~(10) for tax years beginning after December 31, 2004, to the extent deducted in~~  
16.31 ~~computing federal taxable income, the amount by which the standard deduction allowed~~  
16.32 ~~under section 63(c) of the Internal Revenue Code exceeds the standard deduction~~  
16.33 ~~allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through~~  
16.34 ~~December 31, 2003; and~~

16.35 ~~(11)~~ (10) the exclusion allowed under section 139A of the Internal Revenue Code  
16.36 for federal subsidies for prescription drug plans.

17.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
17.2 December 31, 2005.

17.3 Sec. 4. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 31, is  
17.4 amended to read:

17.5 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
17.6 Revenue Code" means the Internal Revenue Code of 1986, as amended through April  
17.7 ~~15~~ December 31, 2005.

17.8 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
17.9 except the changes incorporated by federal changes are effective at the same times as the  
17.10 changes were effective for federal purposes.

17.11 Sec. 5. Minnesota Statutes 2005 Supplement, section 290.0675, subdivision 1, is  
17.12 amended to read:

17.13 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms  
17.14 have the meanings given.

17.15 (b) "Earned income" means the sum of the following, to the extent included in  
17.16 Minnesota taxable income:

17.17 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

17.18 (2) income received from a retirement pension, profit-sharing, stock bonus, or  
17.19 annuity plan; and

17.20 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue  
17.21 Code.

17.22 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

17.23 (d) "Earned income of lesser-earning spouse" means the earned income of the  
17.24 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable  
17.25 year minus the sum of (i) the amount for one exemption under section 151(d) of the  
17.26 Internal Revenue Code and (ii) one-half the amount of the standard deduction under  
17.27 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~  
17.28 ~~required under section 290.01, subdivision 19a, clause (10), and one-half of the addition~~  
17.29 ~~which would have been required under section 290.01, subdivision 19a, clause (10), if the~~  
17.30 ~~taxpayer had claimed the standard deduction.~~

17.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
17.32 December 31, 2005.

17.33 Sec. 6. Minnesota Statutes 2004, section 290.091, subdivision 3, is amended to read:

17.34 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative  
17.35 minimum tax, the exemption amount is:

18.1 (1) for taxable years beginning before January 1, 2006, the exemption determined  
18.2 under section 55(d) of the Internal Revenue Code, as amended through December 31,  
18.3 1992; and

18.4 (2) for taxable years beginning after December 31, 2005, \$60,000 for married  
18.5 couples filing joint returns, \$30,000 for married individuals filing separate returns, estates,  
18.6 and trusts, and \$45,000 for unmarried individuals.

18.7 (b) The exemption amount determined under this subdivision is subject to the phase  
18.8 out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum  
18.9 taxable income as determined under this section must be substituted in the computation  
18.10 of the phase out under section 55(d)(3).

18.11 (c) For taxable years beginning after December 31, 2006, the exemption amount  
18.12 under paragraph (a), clause (2), must be adjusted for inflation. The commissioner shall  
18.13 make the inflation adjustments in accordance with section 1(f) of the Internal Revenue  
18.14 Code except that for the purposes of this subdivision the percentage increase must be  
18.15 determined from the year starting September 1, 2005, and ending August 31, 2006, as the  
18.16 base year for adjusting for inflation for the tax year beginning after December 31, 2006.  
18.17 The determination of the commissioner under this subdivision is not a rule under the  
18.18 Administrative Procedure Act.

18.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
18.20 December 31, 2005.

18.21 Sec. 7. Minnesota Statutes 2004, section 290.17, subdivision 2, is amended to read:

18.22 Subd. 2. **Income not derived from conduct of a trade or business.** The income of  
18.23 a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or  
18.24 business must be assigned in accordance with paragraphs (a) to (f):

18.25 (a)(1) Subject to paragraphs (a)(2); and (a)(3), ~~and (a)(4)~~; income from wages as  
18.26 defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if,  
18.27 and to the extent that, the work of the employee is performed within it; all other income  
18.28 from such sources is treated as income from sources without this state.

18.29 Severance pay shall be considered income from labor or personal or professional  
18.30 services.

18.31 (2) In the case of an individual who is a nonresident of Minnesota and who is an  
18.32 athlete or entertainer, income from compensation for labor or personal services performed  
18.33 within this state shall be determined in the following manner:

18.34 (i) The amount of income to be assigned to Minnesota for an individual who is a  
18.35 nonresident salaried athletic team employee shall be determined by using a fraction in

19.1 which the denominator contains the total number of days in which the individual is under  
19.2 a duty to perform for the employer, and the numerator is the total number of those days  
19.3 spent in Minnesota. For purposes of this paragraph, off-season training activities, unless  
19.4 conducted at the team's facilities as part of a team imposed program, are not included in  
19.5 the total number of duty days. Bonuses earned as a result of play during the regular season  
19.6 or for participation in championship, play-off, or all-star games must be allocated under  
19.7 the formula. Signing bonuses are not subject to allocation under the formula if they are  
19.8 not conditional on playing any games for the team, are payable separately from any other  
19.9 compensation, and are nonrefundable; and

19.10 (ii) The amount of income to be assigned to Minnesota for an individual who is a  
19.11 nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's  
19.12 athletic or entertainment performance in Minnesota shall be determined by assigning to  
19.13 this state all income from performances or athletic contests in this state.

19.14 (3) For purposes of this section, amounts received by a nonresident as "retirement  
19.15 income" as defined in section (b)(1) of the State Income Taxation of Pension Income  
19.16 Act, Public Law 104-95, are not considered income derived from carrying on a trade  
19.17 or business or from wages or other compensation for work an employee performed in  
19.18 Minnesota, and are not taxable under this chapter.

19.19 ~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under~~  
19.20 ~~clause (3), are not taxable under this chapter if the following conditions are met:~~

19.21 ~~(i) the recipient was not a resident of this state for any part of the taxable year in~~  
19.22 ~~which the wages were received; and~~

19.23 ~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

19.24 (b) Income or gains from tangible property located in this state that is not employed  
19.25 in the business of the recipient of the income or gains must be assigned to this state.

19.26 (c) Income or gains from intangible personal property not employed in the business  
19.27 of the recipient of the income or gains must be assigned to this state if the recipient of the  
19.28 income or gains is a resident of this state or is a resident trust or estate.

19.29 Gain on the sale of a partnership interest is allocable to this state in the ratio of the  
19.30 original cost of partnership tangible property in this state to the original cost of partnership  
19.31 tangible property everywhere, determined at the time of the sale. If more than 50 percent  
19.32 of the value of the partnership's assets consists of intangibles, gain or loss from the sale  
19.33 of the partnership interest is allocated to this state in accordance with the sales factor of  
19.34 the partnership for its first full tax period immediately preceding the tax period of the  
19.35 partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 8. Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

**EFFECTIVE DATE.** This section is effective for property taxes payable on or after December 31, 2005, and rent paid on or after December 31, 2004.

Sec. 9. **NET INCOME; FEDERAL CONFORMITY.**

For taxable years beginning after December 31, 2004, and before December 31, 2006, the definition of "net income" in Minnesota Statutes, section 290.01, subdivision 19, must be interpreted by the Department of Revenue to conform to the position taken by the Internal Revenue Service in Revenue Notice 2005-68.

Sec. 10. **MARRIED JOINT FILERS; TAXABLE YEAR 2005.**

For taxable years beginning after December 31, 2004, and before January 1, 2006, the liability for tax under Minnesota Statutes, chapter 290, must be determined as if the addition to federal taxable income under Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19a, clause (10), did not apply.

**EFFECTIVE DATE.** This section is effective the day following final enactment.





22.1 address. The cancellation shall be effective immediately, subject to the right of the permit  
22.2 holder to show that the permit was issued in conformance with the requirements of this  
22.3 subdivision and applicable rules. Upon such showing, the permit must be reissued.

22.4 (b) If a taxpayer has had a permit or permits revoked three times in a five-year  
22.5 period, the commissioner ~~shall not~~ may refuse to issue a new permit or reinstate the  
22.6 revoked permit until 24 months have elapsed after revocation and the taxpayer has  
22.7 satisfied the conditions for reinstatement of a revoked permit or issuance of a new permit  
22.8 imposed by this section and rules adopted under this section.

22.9 (c) For purposes of this subdivision, "taxpayer" means:

22.10 (1) an individual, if a revoked permit was issued to or in the name of an individual,  
22.11 or a corporation or partnership, if a revoked permit was issued to or in the name of a  
22.12 corporation or partnership; and

22.13 (2) an officer of a corporation, a member of a partnership, or an individual who is  
22.14 liable for delinquent sales taxes, either for the entity for which the new or reinstated  
22.15 permit is at issue, or for another entity for which a permit was previously revoked, or  
22.16 personally as a permit holder.

22.17 Sec. 2. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3, is  
22.18 amended to read:

22.19 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited  
22.20 to, each of the transactions listed in this subdivision.

22.21 (b) Sale and purchase include:

22.22 (1) any transfer of title or possession, or both, of tangible personal property, whether  
22.23 absolutely or conditionally, for a consideration in money or by exchange or barter; and

22.24 (2) the leasing of or the granting of a license to use or consume, for a consideration  
22.25 in money or by exchange or barter, tangible personal property, other than a manufactured  
22.26 home used for residential purposes for a continuous period of 30 days or more.

22.27 (c) Sale and purchase include the production, fabrication, printing, or processing of  
22.28 tangible personal property for a consideration for consumers who furnish either directly or  
22.29 indirectly the materials used in the production, fabrication, printing, or processing.

22.30 (d) Sale and purchase include the preparing for a consideration of food.

22.31 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited  
22.32 to, the following:

22.33 (1) prepared food sold by the retailer;

22.34 (2) soft drinks;

22.35 (3) candy;

22.36 (4) dietary supplements; and

23.1 (5) all food sold through vending machines, except milk.

23.2 (e) A sale and a purchase includes the furnishing for a consideration of electricity,  
23.3 gas, water, or steam for use or consumption within this state.

23.4 (f) A sale and a purchase includes the transfer for a consideration of prewritten  
23.5 computer software whether delivered electronically, by load and leave, or otherwise.

23.6 (g) A sale and a purchase includes the furnishing for a consideration of the following  
23.7 services:

23.8 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
23.9 events, and the making available of amusement devices, tanning facilities, reducing  
23.10 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

23.11 (2) lodging and related services by a hotel, rooming house, resort, campground,  
23.12 motel, or trailer camp and the granting of any similar license to use real property in a  
23.13 specific facility, other than the renting or leasing of it for a continuous period of 30 days  
23.14 or more under an enforceable written agreement that may not be terminated without  
23.15 prior notice;

23.16 (3) nonresidential parking services, whether on a contractual, hourly, or other  
23.17 periodic basis, except for parking at a meter;

23.18 (4) the granting of membership in a club, association, or other organization if:

23.19 (i) the club, association, or other organization makes available for the use of its  
23.20 members sports and athletic facilities, without regard to whether a separate charge is  
23.21 assessed for use of the facilities; and

23.22 (ii) use of the sports and athletic facility is not made available to the general public  
23.23 on the same basis as it is made available to members.

23.24 Granting of membership means both onetime initiation fees and periodic membership  
23.25 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and  
23.26 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;  
23.27 swimming pools; and other similar athletic or sports facilities;

23.28 (5) delivery of aggregate materials and concrete block by a third party if the delivery  
23.29 would be subject to the sales tax if provided by the seller of the aggregate material or  
23.30 concrete block; and

23.31 (6) services as provided in this clause:

23.32 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
23.33 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
23.34 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
23.35 include services provided by coin operated facilities operated by the customer;

24.1 (ii) motor vehicle washing, waxing, and cleaning services, including services  
24.2 provided by coin operated facilities operated by the customer, and rustproofing,  
24.3 undercoating, and towing of motor vehicles;

24.4 (iii) building and residential cleaning, maintenance, and disinfecting and  
24.5 exterminating services;

24.6 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
24.7 including services performed within the jurisdiction they serve by off-duty licensed peace  
24.8 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
24.9 organization for monitoring and electronic surveillance of persons placed on in-home  
24.10 detention pursuant to court order or under the direction of the Minnesota Department  
24.11 of Corrections;

24.12 (v) pet grooming services;

24.13 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
24.14 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
24.15 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
24.16 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
24.17 public utility lines. Services performed under a construction contract for the installation of  
24.18 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

24.19 (vii) massages, except when provided by a licensed health care facility or  
24.20 professional or upon written referral from a licensed health care facility or professional for  
24.21 treatment of illness, injury, or disease; and

24.22 (viii) the furnishing of lodging, board, and care services for animals in kennels and  
24.23 other similar arrangements, but excluding veterinary and horse boarding services.

24.24 In applying the provisions of this chapter, the terms "tangible personal property"  
24.25 and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and  
24.26 (viii), and the provision of these taxable services, unless specifically provided otherwise.  
24.27 Services performed by an employee for an employer are not taxable. Services performed  
24.28 by a partnership or association for another partnership or association are not taxable if  
24.29 one of the entities owns or controls more than 80 percent of the voting power of the  
24.30 equity interest in the other entity. Services performed between members of an affiliated  
24.31 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated  
24.32 group of corporations" includes those entities that would be classified as members of an  
24.33 affiliated group under United States Code, title 26, section 1504, and that are eligible to  
24.34 file a consolidated tax return for federal income tax purposes.

24.35 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
24.36 personal property or taxable services by the United States or any of its agencies or

25.1 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
25.2 subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of  
25.4 telecommunications services, including cable television services and direct satellite  
25.5 services. Telecommunications services are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if  
25.7 the installation charges would be subject to the sales tax if the installation were provided  
25.8 by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
25.10 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
25.11 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
25.12 65B.29, subdivision 1, clause (1).

25.13 **EFFECTIVE DATE.** This section is effective for purchases and sales made after  
25.14 June 30, 2006.

25.15 Sec. 3. Minnesota Statutes 2005 Supplement, section 297A.64, subdivision 4, is  
25.16 amended to read:

25.17 Subd. 4. **Exemptions.** (a) The tax and the fee imposed by this section do not apply  
25.18 to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi  
25.19 service; (2) a hearse or limousine used in connection with a burial or funeral service; ~~or~~  
25.20 (3) a van designed or adapted primarily for transporting property rather than passengers;  
25.21 or (4) a vehicle under a car sharing agreement where the lessee is a dues-paying member  
25.22 of a nonprofit car sharing organization that leases vehicles only on an hourly or mileage  
25.23 basis. The tax and the fee imposed under this section do not apply when the lease or rental  
25.24 of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

25.25 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the  
25.26 previous calendar year the lessor had no more than 20 vehicles available for lease that  
25.27 would have been subject to tax under this section, or no more than \$50,000 in gross  
25.28 receipts that would have been subject to tax under this section.

25.29 **EFFECTIVE DATE.** This section is effective for leases made after June 30, 2006.

25.30 Sec. 4. Minnesota Statutes 2004, section 297A.67, subdivision 18, is amended to read:

25.31 Subd. 18. **Used and re-refined motor oils.** Used motor oils are exempt. Re-refined  
25.32 motor oils that meet American Petroleum Institute specifications for gasoline or diesel  
25.33 engines are exempt.

26.1 **EFFECTIVE DATE. This section is effective for sales and purchases made after**  
26.2 **June 30, 2006.**

26.3 Sec. 5. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision  
26.4 to read:

26.5 **Subd. 33. Recycled copier and printing papers. Copier paper with a minimum**  
26.6 **postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing**  
26.7 **paper with a minimum of 30 percent postconsumer recycled content by weight is exempt.**  
26.8 **Coated printing paper with a minimum of ten percent of postconsumer recycled content by**  
26.9 **weight is exempt.**

26.10 **EFFECTIVE DATE. This section is effective for sales and purchases made after**  
26.11 **June 30, 2006.**

26.12 Sec. 6. Minnesota Statutes 2004, section 297A.68, subdivision 19, is amended to read:

26.13 **Subd. 19. Petroleum products.** The following petroleum products are exempt:

26.14 (1) products upon which a tax has been imposed and paid under chapter 296A,  
26.15 and for which no refund has been or will be allowed because the buyer used the fuel  
26.16 for nonhighway use;

26.17 (2) products that are used in the improvement of agricultural land by constructing,  
26.18 maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water  
26.19 impoundment, and other erosion control structures;

26.20 (3) products purchased by a transit system receiving financial assistance under  
26.21 section 174.24, 256B.0625, subdivision 17, or 473.384;

26.22 (4) products purchased by an ambulance service licensed under chapter 144E;

26.23 (5) products used in a passenger snowmobile, as defined in section 296A.01,  
26.24 subdivision 39, for off-highway business use as part of the operations of a resort as  
26.25 provided under section 296A.16, subdivision 2, clause (2); ~~or~~

26.26 (6) products purchased by a state or a political subdivision of a state for use in motor  
26.27 vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

26.28 (7) products purchased for use as fuel for a commuter rail system operating under  
26.29 sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under  
26.30 section 297A.62, subdivision 1, applied, and then refunded in the manner provided  
26.31 in section 297A.75.

26.32 **EFFECTIVE DATE. This section is effective for purchases made after June 30,**  
26.33 **2006.**

26.34 Sec. 7. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision  
26.35 to read:

27.1 Subd. 42. Commuter rail materials, supplies, and equipment. (a) Materials,  
27.2 supplies, and equipment used or consumed in the construction, equipment, or improvement  
27.3 of a commuter rail transportation system operated under sections 174.80 to 174.90 are  
27.4 exempt. This exemption includes railroad cars, engines, and related equipment. The tax  
27.5 must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied,  
27.6 and then refunded in the manner provided in section 297A.75.

27.7 (b) \$7,500,000 is appropriated from the general fund to the commissioner of revenue  
27.8 to be used to pay refunds of the tax paid for items that are exempt from taxation under this  
27.9 subdivision. This appropriation does not cancel, but remains available until expended.  
27.10 This exemption terminates when the commissioner of revenue determines that no amount  
27.11 of this appropriation remains.

27.12 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,  
27.13 2006.

27.14 Sec. 8. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

27.15 **Subd. 3. Sales of certain goods and services to government.** (a) The following  
27.16 sales to or use by the specified governments and political subdivisions of the state are  
27.17 exempt:

27.18 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and  
27.19 fire apparatus to a political subdivision;

27.20 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
27.21 municipal solid waste management services at a solid waste disposal facility as defined in  
27.22 section 115A.03, subdivision 10;

27.23 (3) chore and homemaking services to a political subdivision of the state to be  
27.24 provided to elderly or disabled individuals;

27.25 (4) telephone services to the Department of Administration that are used to provide  
27.26 telecommunications services through the intertechnologies revolving fund;

27.27 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
27.28 or authorized by and for the use of an organized fire department, fire protection district, or  
27.29 fire company regularly charged with the responsibility of providing fire protection to the  
27.30 state or a political subdivision;

27.31 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
27.32 protection, if purchased by a law enforcement agency of the state or a political subdivision  
27.33 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

27.34 (7) motor vehicles purchased or leased by political subdivisions of the state if the  
27.35 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),

exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; ~~and~~

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); and

(10) voting equipment purchased between January 1, 2006, and January 1, 2008, by a county to comply with United States Code, title 42, section 15481, ("Help America Vote Act of 2002").

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

Sec. 9. Minnesota Statutes 2005 Supplement, section 297A.70, subdivision 8, is amended to read:

**Subd. 8. Regionwide public safety radio communication system; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and~~ that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.

Sec. 10. Minnesota Statutes 2004, section 297A.71, subdivision 23, is amended to read:

**Subd. 23. Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are



29.1 exempt from the tax imposed under this chapter if the owner of the qualified low-income  
29.2 housing project is:

29.3 (1) the public housing agency or housing and redevelopment authority of a political  
29.4 subdivision;

29.5 (2) an entity exercising the powers of a housing and redevelopment authority within  
29.6 a political subdivision;

29.7 (3) a limited partnership in which the sole general partner is an authority under  
29.8 clause (1) or an entity under clause (2);

29.9 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying  
29.10 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

29.11 (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,  
29.12 for a qualified low-income housing project described in paragraph (b), clause (5); or

29.13 (6) a limited partnership in which either:

29.14 (i) the sole general partner is an entity under clause (4); or

29.15 (ii) the managing partner is an entity under clause (4) and makes the following  
29.16 disclosures in writing to an entity under clause (1) or (2):

29.17 (A) the names of all members of the partnership;

29.18 (B) the address for service of process of each member of the partnership; and

29.19 (C) the financing plan for the low-income housing project.

29.20 This exemption applies regardless of whether the purchases are made by the owner  
29.21 of the facility or a contractor.

29.22 (b) For purposes of this exemption, "qualified low-income housing project" means:

29.23 (1) a housing or mixed use project in which at least 20 percent of the residential units  
29.24 are qualifying low-income rental housing units as defined in section 273.126;

29.25 (2) a federally assisted low-income housing project financed by a mortgage insured  
29.26 or held by the United States Department of Housing and Urban Development under  
29.27 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United  
29.28 States Code, title 42, section 1437f; the Native American Housing Assistance and  
29.29 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar  
29.30 successor federal low-income housing program;

29.31 (3) a qualified low-income housing project as defined in United States Code, title  
29.32 26, section 42(g), meeting all of the requirements for a low-income housing credit under  
29.33 section 42 of the Internal Revenue Code regardless of whether the project actually applies  
29.34 for or receives a low-income housing credit;

29.35 (4) a project that will be operated in compliance with Internal Revenue Service  
29.36 revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2006.

Sec. 11. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

**Subd. 37. Hydroelectric generating facility.** Materials and supplies used or consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

(1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;

(2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and

(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after April 30, 2006, and on or before December 31, 2009.

Sec. 12. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) capital equipment exempt under section 297A.68, subdivision 5;

(2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

- 31.1 (3) building materials for mineral production facilities exempt under section  
 31.2 297A.71, subdivision 14;  
 31.3 (4) building materials for correctional facilities under section 297A.71, subdivision  
 31.4 3;  
 31.5 (5) building materials used in a residence for disabled veterans exempt under section  
 31.6 297A.71, subdivision 11;  
 31.7 (6) elevators and building materials exempt under section 297A.71, subdivision 12;  
 31.8 (7) building materials for the Long Lake Conservation Center exempt under section  
 31.9 297A.71, subdivision 17;  
 31.10 (8) materials, supplies, fixtures, furnishings, and equipment for a county law  
 31.11 enforcement and family service center under section 297A.71, subdivision 26;  
 31.12 (9) materials and supplies for qualified low-income housing under section 297A.71,  
 31.13 subdivision 23; ~~and~~  
 31.14 (10) materials, supplies, and equipment for municipal electric utility facilities under  
 31.15 section 297A.71, subdivision 35;  
 31.16 (11) products purchased for use as fuel for a commuter rail system exempt under  
 31.17 section 297A.68, subdivision 19, clause (7); and  
 31.18 (12) commuter rail construction materials, supplies, and equipment exempt under  
 31.19 section 297A.68, subdivision 42.

31.20 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is  
 31.21 amended to read:

31.22 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 31.23 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 31.24 must be paid to the applicant. Only the following persons may apply for the refund:

- 31.25 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;  
 31.26 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental  
 31.27 subdivision;  
 31.28 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
 31.29 provided in United States Code, title 38, chapter 21;  
 31.30 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
 31.31 property;  
 31.32 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing  
 31.33 project; ~~and~~  
 31.34 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or  
 31.35 a joint venture of municipal electric utilities; and

32.1 (7) for subdivision 1, clauses (11) and (12), the applicant must be the purchaser of  
32.2 the fuel or construction materials, as applicable.

32.3 Sec. 14. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,  
32.4 chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws  
32.5 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

32.6  
32.7 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,  
32.8 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,  
32.9 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on  
32.10 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,  
32.11 Subdivision 3, Clause (c). When the city council determines that the taxes imposed  
32.12 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate  
32.13 of one-half of one percent have produced revenue sufficient to pay (1) the debt service  
32.14 on bonds in a principal amount of \$8,000,000 issued for capital improvements to the  
32.15 Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds  
32.16 originally issued in the principal amount of \$4,970,000 to finance capital improvements to  
32.17 the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half  
32.18 percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent.  
32.19 When the city council determines that the taxes imposed under this subdivision at a rate  
32.20 of three-quarters of one percent have produced revenue sufficient to pay debt service on  
32.21 bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued  
32.22 for capital improvements for a new arena at the Duluth Entertainment and Convention  
32.23 Center, the rate of tax under this subdivision shall be reduced by three-quarters of one  
32.24 percent. The imposition of this tax shall not be subject to voter referendum under either  
32.25 state law or city charter provisions.

32.26 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
32.27 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section  
32.28 645.021, subdivisions 2 and 3.

32.29

32.30 Sec. 15. Laws 1996, chapter 471, article 2, section 29, is amended to read:

32.31 Sec. 29. **CITY OF HERMANTOWN; SALES AND USE TAX.**

32.32 Subdivision 1. **Sales and use tax authorized.** (a) Notwithstanding Minnesota  
32.33 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city  
32.34 charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax  
32.35 of up to one percent on sales ~~transactions~~ , storage, and use taxable pursuant to Minnesota  
32.36 Statutes, chapter 297A, that occur within the city.

33.1           **(b) The proceeds of the first one-half of the one percent tax imposed under this**  
33.2 **section must be used to meet the costs of by the city for the following projects:**

33.3           (1) extending a sewer interceptor line;  
33.4           (2) construction of a booster pump station, reservoirs, and related improvements  
33.5 to the water system; and

33.6           (3) construction of a building containing a police and fire station and an  
33.7 administrative services facility.

33.8           **(c) Revenues received from the remaining one-half of the one percent tax**  
33.9 **authorized under this section must be used by the city to pay all or part of the capital and**  
33.10 **administrative costs of developing, acquiring, constructing, and initially furnishing and**  
33.11 **equipping the following projects:**

33.12           (1) construction of a new facility or purchase of an existing facility to be used as  
33.13 a public works facility;

33.14           (2) construction, signalization, and rehabilitation of primary collector roads and  
33.15 commercial frontage roads, within the city; and

33.16           (3) extension of a regional trunk sewer.

33.17           **(d) Authorized expenses include, but are not limited to, acquiring property; paying**  
33.18 **construction, administrative, and operating expenses related to the development of the**  
33.19 **projects listed in paragraph (c); paying debt service on bonds or other obligations,**  
33.20 **including lease obligations, issued to finance construction, expansion, or improvement of**  
33.21 **the projects listed in paragraph (c); and other compatible uses, including but not limited to,**  
33.22 **parking, lighting, and landscaping.**

33.23           **Subd. 2. Referendum.** (a) If the Hermantown city council proposes to impose the  
33.24 sales tax authorized by this section, it shall conduct a referendum on the issue.

33.25           **(b) If the Hermantown city council initially imposes the tax at a rate that is less than**  
33.26 **one percent and proposes increasing the tax rate at a later date up to the full one percent, it**  
33.27 **shall conduct a referendum on the increase of the tax rate.**

33.28           **(c) The question of imposing or increasing the tax must be submitted to the voters at**  
33.29 **a special or general election. The tax may not be imposed unless a majority of votes cast**  
33.30 **on the question of imposing the tax are in the affirmative. The commissioner of revenue**  
33.31 **shall prepare a suggested form of question to be presented at the election. This subdivision**  
33.32 **applies notwithstanding any city charter provision to the contrary.**

33.33           **Subd. 3. Enforcement; collection; and administration of taxes.** A sales tax  
33.34 imposed under this section must be reported and paid to the commissioner of revenue  
33.35 with the state sales taxes, and be subject to the same penalties, interest, and enforcement

provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the indirect statewide cost as well as the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the state general fund.

Subd. 3a. Bonding authority. (a) The city may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c). The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may not exceed \$13,000,000 in the aggregate. An election to approve the bonds is not required.

(b) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(c) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them.

Subd. 4. Termination. The portion of the tax authorized under this section to finance the improvements described in subdivision 1, paragraph (b), terminates at the later of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from the tax to finance the improvements described in subdivision 1, clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements on March 31, 2026. The portion of the tax authorized to finance the improvements described in subdivision 1, paragraph (c), terminates when the revenues raised are sufficient to finance those improvements, up to an amount equal to \$13,000,000 plus any interest, premium, and other costs associated with the bonds issued under subdivision 3a. The city council may terminate this portion of the tax earlier. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

~~Subd. 5. Local approval, effective date. This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.~~

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Hermantown and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

35.1 Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section  
35.2 ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city  
35.4 charter, if approved by the city voters at the first municipal general election held after the  
35.5 date of final enactment of this act or at a special election held November 2, 1999, the city  
35.6 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent  
35.7 for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota  
35.8 Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and  
enforcement of the tax authorized under this subdivision.

35.9 (b) The city of Proctor may impose by ordinance an additional sales and use tax of  
35.10 up to one-half of one percent if approved by the city voters at a general election or at a  
35.11 special election held for this purpose. The revenues received from this additional tax must  
35.12 be used for the purposes specified in subdivision 3, paragraph (b).

35.13 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
35.14 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
35.15 subdivision 3.

35.16 Sec. 17. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to  
35.17 read:

35.18 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by  
35.19 subdivisions 1, paragraph (a), and 2 must be used by the city to pay the cost of collecting  
35.20 the taxes and to pay for construction and improvement of the following city facilities:

35.21 (1) streets; and

35.22 (2) constructing and equipping the Proctor community activity center.

35.23 Authorized expenses include, but are not limited to, acquiring property, paying  
35.24 construction and operating expenses related to the development of an authorized facility,  
35.25 and paying debt service on bonds or other obligations, including lease obligations, issued  
35.26 to finance the construction, expansion, or improvement of an authorized facility. The  
35.27 capital expenses for all projects authorized under this paragraph that may be paid with  
35.28 these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance  
35.29 of the bonds.

35.30 (b) Revenues received from taxes authorized by subdivision 1, paragraph (b),  
35.31 must be used by the city to pay the cost of collecting the taxes and for construction and  
35.32 improvements of city streets, public utilities, sidewalks, bikeways, and trails.

35.33 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
35.34 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
35.35 subdivision 3.

36.1 Sec. 18. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to  
36.2 read:

36.3 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
36.4 Statutes, chapter 475, to finance the capital expenditure and improvement projects  
36.5 described in subdivision 3. An election to approve the bonds under Minnesota Statutes,  
36.6 section 475.58, is not required.

36.7 (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
36.8 sections 275.60 and ~~279.61~~ 275.61.

36.9 (c) The bonds are not included in computing any debt limitation applicable to the  
36.10 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of  
36.11 and interest on the bonds is not subject to any levy limitation.

36.12 (d) For projects described in subdivision 3, paragraph (a), the aggregate principal  
36.13 amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital  
36.14 expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to  
36.15 the costs related to issuance of the bonds, including interest on the bonds. For projects  
36.16 described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may  
36.17 not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds,  
36.18 including interest on the bonds.

36.19 (e) The sales and use and excise taxes authorized in this section may be pledged to  
36.20 and used for the payment of the bonds and any bonds issued to refund them only if the  
36.21 bonds and any refunding bonds are general obligations of the city.

36.22 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
36.23 upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
36.24 subdivision 3.

36.25 Sec. 19. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision  
36.26 3, is amended to read:

36.27 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
36.28 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation  
36.29 contained in the Minnesota Department of Transportation's Winona Intermodal study  
36.30 dated June 2002 and in the resolution approved by the city council on January 3, 2005, and  
36.31 all or a part of the capital costs of flood control projects approved by resolution of the city  
36.32 council on February 6, 2006, including securing or paying debt service on bonds issued  
36.33 under subdivision 4, for the transportation and flood control projects and to pay the cost  
36.34 of collecting and administering the tax. Authorized costs include, but are not limited to,  
36.35 acquiring property and paying construction and engineering costs related to the projects.



37.1 **EFFECTIVE DATE.** This section is effective the day after compliance by  
37.2 the governing body of the city of Winona with Minnesota Statutes, section 645.021,  
37.3 subdivision 3.

37.4 Sec. 20. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision  
37.5 1, is amended to read:

37.6 Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes,  
37.7 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
37.8 the voters pursuant to Minnesota Statutes, section 297A.99, at ~~the next~~ a general election  
37.9 held before January 1, 2008, the city of Worthington may impose by ordinance a sales  
37.10 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.  
37.11 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section  
37.12 297A.99, govern the imposition, administration, collection, and enforcement of the tax  
37.13 authorized under this subdivision.

37.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

37.15 Sec. 21. **CITY OF AUSTIN; TAXES AUTHORIZED.**

37.16 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
37.17 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
37.18 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or  
37.19 special election held for that purpose before January 1, 2007, the city of Austin may  
37.20 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose  
37.21 specified in subdivision 2. Except as otherwise provided in this section, the provisions of  
37.22 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
37.23 and enforcement of the tax authorized under this subdivision.

37.24 Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision  
37.25 1 must be used by the city of Austin to pay all or part of the capital or administrative costs  
37.26 of flood mitigation projects in the city of Austin. Authorized expenses include, but are not  
37.27 limited to, acquiring property and paying construction and engineering expenses related  
37.28 to the flood mitigation projects.

37.29 Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose  
37.30 the tax authorized in subdivision 1, the city of Austin may issue without an additional  
37.31 election general obligation bonds of the city in an amount not to exceed \$14,000,000 to  
37.32 finance the costs for the projects specified in subdivision 2. The debt represented by the  
37.33 bonds must not be included in computing any debt limitations applicable to the city, and  
37.34 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or  
37.35 any interest on the bonds must not be subject to any levy limitation.

38.1        Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at  
38.2 the earlier of:

38.3        (1) 20 years after the date of initial imposition of the tax; or

38.4        (2) when the Austin City Council determines that the amount described in  
38.5 subdivision 2 has been received from the tax to finance the capital and administrative costs  
38.6 for the projects specified in subdivision 2, and to repay or retire at maturity, the principal,  
38.7 interest, and premium due on any bonds issued for the projects under subdivision 3.

38.8        Any funds remaining after completion of the projects specified in subdivision 2, and  
38.9 retirement or redemption of the bonds in subdivision 3, may be placed in the general fund  
38.10 of the city. The tax imposed under subdivision 1 may expire at an earlier time if the  
38.11 city so determines by ordinance.

38.12        **EFFECTIVE DATE.** This section is effective the day after compliance by  
38.13 the governing body of the city of Austin with Minnesota Statutes, section 645.021,  
38.14 subdivisions 2 and 3.

38.15        Sec. 22. **CITY OF BAXTER; TAXES AUTHORIZED.**

38.16        Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
38.17 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
38.18 the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes,  
38.19 section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of  
38.20 one-half of one percent for the purposes specified in subdivision 3. The provisions of  
38.21 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,  
38.22 and enforcement of the tax authorized under this subdivision.

38.23        Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
38.24 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
38.25 Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax  
38.26 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any  
38.27 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

38.28        Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
38.29 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
38.30 and to finance all or part of the costs of constructing an upgraded regional wastewater  
38.31 treatment facility to serve the cities of Brainerd and Baxter, building and equipping a  
38.32 fire substation, and constructing the Paul Bunyan bridge over Excelsior Road and other  
38.33 improvements. Authorized costs include, but are not limited to, acquiring property and  
38.34 paying construction and engineering costs related to the projects.

39.1 Subd. 4. **Bonds.** The city of Baxter, pursuant to the approval of the voters at the  
39.2 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may  
39.3 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
39.4 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt  
39.5 represented by the bonds is not included in computing any debt limitations applicable to  
39.6 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
39.7 principal of and interest on the bonds is not subject to any levy limitation or included in  
39.8 computing or applying any levy limitation applicable to the city of Baxter.

39.9 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
39.10 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter  
39.11 City Council first determines that the amount of revenues raised from the taxes to pay for  
39.12 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the  
39.13 projects under subdivision 3. Any funds remaining after the expiration of the taxes and  
39.14 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The  
39.15 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of  
39.16 Baxter so determines by ordinance.

39.17 **EFFECTIVE DATE.** This section is effective the day after compliance by  
39.18 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,  
39.19 subdivision 3.

39.20 **Sec. 23. CITY OF BRAINERD; TAXES AUTHORIZED.**

39.21 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
39.22 section 477A.016, or any other provision of law, ordinance, or city charter, contingent  
39.23 on the approval of the voters on the November 7, 2006, referendum, and pursuant to  
39.24 Minnesota Statutes, section 297A.99, the city of Brainerd may impose by ordinance a sales  
39.25 and use tax of one-half of one percent for the purposes specified in subdivision 3. The  
39.26 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,  
39.27 collection, and enforcement of the tax authorized under this section.

39.28 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
39.29 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd  
39.30 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
39.31 to \$20 per motor vehicle, as defined by ordinance, purchased, or acquired from any person  
39.32 engaged within the city of Brainerd in the business of selling motor vehicles at retail.

39.33 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
39.34 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
39.35 and to finance all or part of the costs of constructing an upgraded regional wastewater

40.1 treatment facility to serve the cities of Brainerd and Baxter, water infrastructure  
40.2 improvements, and trail development, contingent on approval by Brainerd voters at the  
40.3 November 7, 2006, referendum. Authorized costs include, but are not limited to, acquiring  
40.4 property and paying construction and engineering costs related to the projects.

40.5 Subd. 4. **Bonds.** The city of Brainerd, contingent on approval of the voters at the  
40.6 November 7, 2006, referendum authorizing the imposition of taxes in this section, may  
40.7 issue general obligation bonds of the city, in one or more series, in the aggregate principal  
40.8 amount not to exceed \$22,030,000 to finance the projects listed in subdivision 3. The debt  
40.9 represented by the bonds is not included in computing any debt limitations applicable to  
40.10 Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
40.11 principal and interest on the bonds is not subject to any levy limitation or included in  
40.12 computing any levy limitation applicable to the city of Brainerd.

40.13 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
40.14 expire at the earlier of a date 12 years after the imposition of the tax or when the city  
40.15 council first determines that the amount of revenues raised from the taxes to pay for  
40.16 projects equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects  
40.17 under subdivision 3. Any funds remaining after the expiration of the taxes and retirement  
40.18 of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes  
40.19 imposed under subdivision 1 and 2 may expire at an earlier time if the city of Brainerd so  
40.20 determines by ordinance.

40.21 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
40.22 governing body of the city of Brainerd with Minnesota Statutes, section 645.021,  
40.23 subdivision 3.

40.24 **Sec. 24. CITY OF BREEZY POINT; TAXES AUTHORIZED.**

40.25 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
40.26 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
40.27 the approval of the voters at the general election on November 7, 2006, and pursuant to  
40.28 Minnesota Statutes, section 297A.99, the city of Breezy Point may impose by ordinance  
40.29 a sales and use tax of one-half of one percent for the purposes specified in subdivision  
40.30 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
40.31 administration, collection, and enforcement of the tax authorized under this subdivision.

40.32 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
40.33 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
40.34 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an  
40.35 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired

41.1 from any person engaged within the city of Breezy Point in the business of selling motor  
41.2 vehicles at retail.

41.3 Subd. 3. Use of revenues. Revenues received from the taxes authorized by  
41.4 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax  
41.5 and to finance sanitary sewer and storm sewer improvements as approved by the voters  
41.6 at the referendum authorizing the tax. Authorized costs include, but are not limited to,  
41.7 acquiring property and paying construction and engineering costs related to the projects.

41.8 Subd. 4. Bonds. The city of Breezy Point, pursuant to the approval of the voters at  
41.9 the referendum authorizing the imposition of the taxes in this section, may issue general  
41.10 obligation bonds of the city, in one or more series, in the aggregate principal amount not to  
41.11 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented  
41.12 by the bonds is not included in computing any debt limitations applicable to the city, and  
41.13 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of  
41.14 and interest on the bonds is not subject to any levy limitation or included in computing or  
41.15 applying any levy limitation applicable to the city.

41.16 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
41.17 expire 15 years after the imposition of the tax or when the Breezy Point City Council  
41.18 first determines that the amount of revenues raised from the taxes to pay for the projects  
41.19 equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under  
41.20 subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes  
41.21 and retirement of the bonds may be placed in the general fund or in a capital project fund  
41.22 of the city of Breezy Point. The taxes imposed under subdivisions 1 and 2 may expire  
41.23 at an earlier time if the city so determines by ordinance.

41.24 EFFECTIVE DATE. This section is effective the day after compliance by the  
41.25 governing body of the city of Breezy Point with Minnesota Statutes, section 645.021,  
41.26 subdivision 3.

41.27 **Sec. 25. CITY OF CLOQUET; TAXES AUTHORIZED.**

41.28 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section  
41.29 477A.016, or any other provision of law, ordinance, or city charter, if approved by the  
41.30 voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for  
41.31 this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to  
41.32 one-half of one percent for the purpose specified in subdivision 3. Except as provided in  
41.33 this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
41.34 administration, collection, and enforcement of the tax authorized under this subdivision.

42.1        Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
42.2        477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet  
42.3        may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up  
42.4        to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person  
42.5        engaged within the city in the business of selling motor vehicles at retail.

42.6        Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions  
42.7        1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the  
42.8        following projects:

42.9        (1) construction and completion of park improvement projects, including  
42.10       reconstruction of the Pinehurst Park swimming pool complex, St. Louis River Riverfront  
42.11       improvements, Veteran's Park construction, and enhancements to the Hilltop Park soccer  
42.12       complex and Braun Park baseball complex; and

42.13       (2) extension of utilities and the construction of all improvements associated with  
42.14       the new Cloquet Industrial Park.

42.15       Authorized expenses include, but are not limited to, acquiring property and paying  
42.16       construction expenses related to these improvements, and paying debt service on bonds or  
42.17       other obligations issued to finance acquisition and construction of these improvements.

42.18       Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
42.19       Statutes, chapter 475, to pay capital and administrative expenses for the improvements  
42.20       described in subdivision 3 in an amount that does not exceed \$9,000,000. An election to  
42.21       approve the bonds under Minnesota Statutes, section 475.58, is not required.

42.22       (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
42.23       sections 275.60 and 275.61.

42.24       (c) The debt represented by the bonds is not included in computing any debt  
42.25       limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
42.26       475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

42.27       Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
42.28       expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient  
42.29       funds have been received from the taxes to finance the capital and administrative costs of  
42.30       the improvements described in subdivision 3, plus the additional amount needed to pay  
42.31       the costs related to issuance of bonds under subdivision 4, including interest on the bonds.  
42.32       Any funds remaining after completion of the project and retirement or redemption of the  
42.33       bonds may be placed in the general fund of the city. The taxes imposed under subdivisions  
42.34       1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 26. CITY OF ELY; TAXES AUTHORIZED.**

**Subdivision 1. Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

**Subd. 2. Use of revenues.** The proceeds of the tax imposed under this section shall be used for the following:

- (1) land acquisition and site development;
- (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
- (3) development or redevelopment activities in the central business district of Ely;
- (4) business park development;
- (5) development of a small business incubator;
- (6) development of a technology center; and
- (7) improvements to the Ely Community Center and City Hall needed to bring them into compliance with the Americans with Disabilities Act.

**Subd. 3. Bonding authority.** The city of Ely may issue bonds in an amount not to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 4. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds and must not be subject to any levy limitation.

**Subd. 4. Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely City Council determines that the amount of revenues raised to pay for the projects under subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to finance the capital and administrative costs of the projects specified in subdivision 2, and to repay or retire at maturity the principal, interest, and premium due on any bonds issued

44.1 for the projects under subdivision 3. Any funds remaining after completion of the projects  
44.2 specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3,  
44.3 may be placed in the general fund of the city. The tax imposed under subdivision 1 may  
44.4 expire at an earlier time if the city so determines by ordinance.

44.5 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
44.6 governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions  
44.7 2 and 3.

44.8 **Sec. 27. CITY OF LUVERNE; TAXES AUTHORIZED.**

44.9 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
44.10 section 477A.016, or any other provision of law, ordinance, or city charter, if approved  
44.11 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may  
44.12 impose by ordinance a sales and use tax of one-half of one percent for the purposes  
44.13 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
44.14 the imposition, administration, collection, and enforcement of the tax authorized under  
44.15 this subdivision.

44.16 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
44.17 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of  
44.18 Luverne may impose by ordinance, for the purposes specified in subdivision 3, an excise  
44.19 tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from  
44.20 any person engaged within the city in the business of selling motor vehicles at retail.

44.21 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
44.22 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the  
44.23 taxes and to pay all or part of the expenses for capital improvements and renovation of  
44.24 the Historic Palace Theatre in an amount not to exceed \$3,000,000. Authorized expenses  
44.25 include, but are not limited to, acquiring property and paying construction expenses  
44.26 related to the project, and paying debt service on bonds or other obligations issued to  
44.27 finance the acquisition and improvements.

44.28 Subd. 4. **Bonds.** If the taxes under subdivisions 1 and 2 are approved by voters  
44.29 pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may issue, without  
44.30 an additional election, bonds, in one or more series, in the aggregate principal amount  
44.31 not to exceed \$3,000,000 to pay capital and administrative costs of the projects listed in  
44.32 subdivision 3. The debt represented by the bonds is not included in computing any debt  
44.33 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
44.34 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
44.35 limitation or included in computing or applying any levy limitation applicable to the city.



45.1 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2  
45.2 expire at the later of 30 years after the imposition of the tax or when the Luverne city  
45.3 council determines that sufficient funds have been received from the taxes to prepay  
45.4 or retire at maturity the principal, interest, and premium due on any bonds issued for  
45.5 the project under subdivision 4. Any funds remaining after expiration of the taxes and  
45.6 retirement of the bonds may be placed in a capital project fund of the city. The taxes  
45.7 imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines  
45.8 by ordinance.

45.9 EFFECTIVE DATE. This section is effective the day after compliance by the  
45.10 governing body of the city of Luverne with Minnesota Statutes, section 645.021,  
45.11 subdivision 3.

45.12 Sec. 28. CITY OF MEDFORD; SALES AND USE TAX.

45.13 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
45.14 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
45.15 the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election,  
45.16 the city of Medford may impose by ordinance a sales and use tax of one-half of one  
45.17 percent for the purposes specified in subdivision 2. Except as otherwise provided in this  
45.18 section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,  
45.19 administration, collection, and enforcement of the tax authorized under this subdivision.

45.20 Subd. 2. Use of revenues. The proceeds of the tax imposed under this section must  
45.21 be used by the city of Medford to pay the costs of collecting and administering the tax and  
45.22 to pay up to \$5,000,000 in costs to improve the city's wastewater system and wastewater  
45.23 treatment plant. Authorized expenses include, but are not limited to, acquiring property  
45.24 and paying construction expenses and debt service on bonds or other obligations issued to  
45.25 finance acquisition and construction of the improvements.

45.26 Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is  
45.27 approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475,  
45.28 to pay the capital and administrative expenses for the improvement projects authorized  
45.29 under subdivision 2. The total amount of bonds issued for the projects listed in subdivision  
45.30 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under  
45.31 Minnesota Statutes, section 475.58, is not required.

45.32 (b) The debt represented by the bonds is not included in computing any debt  
45.33 limitation applicable to the city of Medford, and the levy of taxes under Minnesota  
45.34 Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to  
45.35 any levy limitation.

46.1        Subd. 4. **Termination of taxes.** The tax imposed under this section expires at the  
46.2 earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford  
46.3 City Council determines that the amount of revenues received from the tax equals or  
46.4 exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of  
46.5 bonds under subdivision 3, including interest on the bonds. Any funds remaining after  
46.6 completion of the projects and retirement or redemption of the bonds may be placed in the  
46.7 general fund of the city. The tax imposed under subdivision 1 may expire at an earlier  
46.8 time if the city so determines by ordinance.

46.9        **EFFECTIVE DATE.** This section is effective the day after compliance by the  
46.10 governing body of the city of Medford with Minnesota Statutes, section 645.021,  
46.11 subdivision 3.

46.12        Sec. 29. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

46.13        Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
46.14 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by  
46.15 the voters pursuant to Minnesota Statutes, section 297A.99, the city of North Mankato  
46.16 may impose by ordinance a sales and use tax of one-half of one percent for the purposes  
46.17 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
46.18 the imposition, administration, collection, and enforcement of the taxes authorized under  
46.19 this subdivision.

46.20        Subd. 2. **Use of revenues.** Revenues received from the tax authorized by  
46.21 subdivision 1 must be used to pay all or part of the capital costs of the following projects:

46.22        (1) the local share of the marked Trunk Highway 14/County State-Aid Highway  
46.23 41 interchange project, including a connection to the North Port Industrial Park and trail  
46.24 connections to the scenic byway along the Minnesota River, the Nicollet County Park,  
46.25 existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

46.26        (2) development of regional parks and hiking and biking trails in Caswell Park,  
46.27 Benson Park, and Spring Lake Park;

46.28        (3) riverfront redevelopment projects; and

46.29        (4) lake improvement projects.

46.30        The total amount of revenues from the tax in subdivision 1 that may be used to fund  
46.31 these projects is \$5,250,000 plus any associated bond costs.

46.32        Subd. 3. **Bonds.** (a) The city of North Mankato, if approved by voters pursuant to  
46.33 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter  
46.34 475, to pay capital and administrative expenses for the projects described in subdivision 2,

47.1 in an amount that does not exceed \$5,250,000. A separate election to approve the bonds  
47.2 under Minnesota Statutes, section 475.58, is not required.

47.3 (b) The debt represented by the bonds is not included in computing any debt  
47.4 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
47.5 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

47.6 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the  
47.7 later of (1) 15 years, or (2) when the city council determines that the amount of revenues  
47.8 received from the taxes to pay for the projects under subdivision 2 first equals or exceeds  
47.9 the amount authorized to be spent for each project plus the additional amount needed to  
47.10 pay the costs related to issuance of the bonds under subdivision 3, including interest  
47.11 on the bonds. Any funds remaining after completion of the projects and retirement or  
47.12 redemption of the bonds shall be placed in a capital facilities and equipment replacement  
47.13 fund of the city. The tax imposed under section 1 may expire at an earlier time if the  
47.14 city so determines by ordinance.

47.15 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
47.16 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,  
47.17 subdivision 3.

47.18 **Sec. 30. CITY OF OWATONNA; TAXES AUTHORIZED.**

47.19 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
47.20 section 477A.016, or any other provision of law, ordinance, or city charter, if approved  
47.21 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Owatonna  
47.22 may impose by ordinance a sales and use tax of one-half of one percent for the purposes  
47.23 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern  
47.24 the imposition, administration, collection, and enforcement of the taxes authorized under  
47.25 this subdivision.

47.26 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
47.27 477A.016, or any other provision of law, ordinance, or city charter, the city of Owatonna  
47.28 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of  
47.29 \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person  
47.30 engaged within the city in the business of selling motor vehicles at retail.

47.31 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by  
47.32 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation  
47.33 projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota  
47.34 Department of Transportation, Steele County, and the city of Owatonna; regional parks  
47.35 and trail developments, West Hills complex, firehall, and library improvement projects;

48.1 and a public safety radio system; as described in the city resolution No. 4-06, Exhibit  
48.2 A, as adopted by the city on January 17, 2006. The amount paid from these revenues  
48.3 for transportation projects may not exceed \$4,450,000 plus associated bond costs. The  
48.4 amount paid from these revenues for park and trail projects may not exceed \$5,400,000  
48.5 plus associated bond costs. The amount paid from these revenues for West Hills complex,  
48.6 fire hall, and library improvement projects may not exceed \$2,823,000 plus associated  
48.7 bond costs. The amount paid from these revenues for a public safety radio system may not  
48.8 exceed \$500,000 plus associated bond costs.

48.9 Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to  
48.10 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter  
48.11 475, to pay capital and administrative expenses for the projects described in subdivision 3,  
48.12 in an amount that does not exceed \$13,200,000. A separate election to approve the bonds  
48.13 under Minnesota Statutes, section 475.58, is not required.

48.14 (b) The debt represented by the bonds is not included in computing any debt  
48.15 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section  
48.16 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

48.17 Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2  
48.18 expire at the earlier of (1) ten years, or (2) when the city council determines that the  
48.19 amount of revenues received from the taxes to pay for the projects under subdivision 3 first  
48.20 equals or exceeds the amount authorized to be spent for each project plus the additional  
48.21 amount needed to pay the costs related to issuance of the bonds under subdivision 4,  
48.22 including interest on the bonds. Any funds remaining after completion of the projects  
48.23 and retirement or redemption of the bonds shall be placed in a capital project fund of  
48.24 the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the  
48.25 city so determines by ordinance.

48.26 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
48.27 governing body of the city of Owatonna with Minnesota Statutes, section 645.021,  
48.28 subdivision 3.

48.29 **Sec. 31. CITY OF PARK RAPIDS.**

48.30 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,  
48.31 section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to  
48.32 the approval of the city voters at the next general election or at a special election held for  
48.33 this purpose, the city of Park Rapids may impose by ordinance a sales and use tax of one  
48.34 percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes,

section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

**Subd. 2. Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, and improvement of the following projects:

(1) two-thirds of the cost of construction and operation of a community center that may include a senior citizen center, fitness center, swimming pool, meeting rooms, indoor track, and racquetball, basketball, and tennis courts, provided that an amount equal to one-third of the cost of construction is received from private sources;

(2) capital improvement projects including, but not limited to, installation of water, sewer, storm sewer, street improvements, new city water tower and well, costs related to improvements to marked trunk highway 34; and

(3) park improvements.

Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development.

**Subd. 3. Bonds.** Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Park Rapids may issue without an additional election general obligation bonds of the city to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the projects specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

**Subd. 4. Termination of tax.** The tax imposed under subdivision 1 expires July 1, 2025. Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Park Rapids with Minnesota Statutes, section 645.021, subdivision 3.

50.1       Sec. 32. **THIEF RIVER FALLS COMMUNITY CENTER.**

50.2       The city of Thief River Falls may incorporate or authorize the incorporation of a  
50.3 nonprofit corporation to operate a community or regional center in the city. A nonprofit  
50.4 corporation incorporated under this section is exempt from payment of sales and use tax  
50.5 on materials, equipment, and supplies consumed or incorporated into the construction of  
50.6 the community or regional center. The exemption under this section applies to purchases  
50.7 by the nonprofit corporation, a contractor, subcontractor, or builder. A contractor,  
50.8 subcontractor, or builder that does not pay sales tax on purchases for construction of the  
50.9 community or regional center shall not charge sales or use tax to the nonprofit corporation.  
50.10 The nonprofit corporation may file a claim for refund for any sales taxes paid on the  
50.11 construction costs of the community or regional center, and the commissioner of revenue  
50.12 shall pay the refunded amount directly to the nonprofit corporation.

50.13       **EFFECTIVE DATE.** This section is effective retroactively for purchases made  
50.14 on and after July 1, 2002.

50.15                               **ARTICLE 4**

50.16                               **FOREIGN OPERATING CORPORATIONS**

50.17       Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b,  
50.18 is amended to read:

50.19       Subd. 6b. **Foreign operating corporation.** The term "foreign operating  
50.20 corporation," when applied to a corporation, means a domestic corporation with the  
50.21 following characteristics:

50.22       (1) it is part of a unitary business at least one member of which is taxable in this state;  
50.23       (2) it is not a foreign sales corporation under section 922 of the Internal Revenue  
50.24 Code, as amended through December 31, 1999, for the taxable year;

50.25       (3) ~~either (i) the average of the percentages of its property and payrolls, including~~  
50.26 ~~the pro rata share of its unitary partnerships' property and payrolls, assigned to locations~~  
50.27 ~~outside the United States, where the United States includes the District of Columbia and~~  
50.28 ~~excludes the commonwealth of Puerto Rico and possessions of the United States, as~~  
50.29 ~~determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a~~  
50.30 valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent  
50.31 of the gross income from all sources of the corporation in the tax year is active foreign  
50.32 business income; and

50.33       (4) ~~it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under~~  
50.34 ~~section 290.191 or 290.20, that are located outside the United States. If the domestic~~  
50.35 ~~corporation does not have payroll as determined under section 290.191 or 290.20, but it~~

51.1 ~~or its partnerships have paid \$1,000,000 for work, performed directly for the domestic~~  
51.2 ~~corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not~~  
51.3 ~~require payrolls to be included in the average calculation for purposes of this subdivision,~~  
51.4 active foreign business income means gross income that is (i) derived from sources  
51.5 without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the  
51.6 Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in  
51.7 a foreign country.

51.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
51.9 December 31, 2005.

51.10 Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19c, is  
51.11 amended to read:

51.12 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
51.13 there shall be added to federal taxable income:

51.14 (1) the amount of any deduction taken for federal income tax purposes for income,  
51.15 excise, or franchise taxes based on net income or related minimum taxes, including but not  
51.16 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
51.17 another state, a political subdivision of another state, the District of Columbia, or any  
51.18 foreign country or possession of the United States;

51.19 (2) interest not subject to federal tax upon obligations of: the United States, its  
51.20 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
51.21 state, any of its political or governmental subdivisions, any of its municipalities, or any  
51.22 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
51.23 tribal governments;

51.24 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
51.25 Revenue Code;

51.26 (4) the amount of any net operating loss deduction taken for federal income tax  
51.27 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
51.28 deduction under section 810 of the Internal Revenue Code;

51.29 (5) the amount of any special deductions taken for federal income tax purposes  
51.30 under sections 241 to 247 of the Internal Revenue Code;

51.31 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
51.32 clause (a), that are not subject to Minnesota income tax;

51.33 (7) the amount of any capital losses deducted for federal income tax purposes under  
51.34 sections 1211 and 1212 of the Internal Revenue Code;

51.35 (8) the exempt foreign trade income of a foreign sales corporation under sections  
51.36 921(a) and 291 of the Internal Revenue Code;

52.1 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
52.2 291 of the Internal Revenue Code;

52.3 (10) for certified pollution control facilities placed in service in a taxable year  
52.4 beginning before December 31, 1986, and for which amortization deductions were elected  
52.5 under section 169 of the Internal Revenue Code of 1954, as amended through December  
52.6 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
52.7 income for those facilities;

52.8 (11) the amount of any deemed dividend from a foreign operating corporation  
52.9 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend  
52.10 shall be reduced by the amount of the addition to income required by clauses (19), (20),  
52.11 (21), and (22);

52.12 (12) the amount of a partner's pro rata share of net income which does not flow  
52.13 through to the partner because the partnership elected to pay the tax on the income under  
52.14 section 6242(a)(2) of the Internal Revenue Code;

52.15 (13) the amount of net income excluded under section 114 of the Internal Revenue  
52.16 Code;

52.17 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
52.18 Revenue Code, for the taxable year when subpart F income is calculated without regard  
52.19 to the provisions of section 614 of Public Law 107-147;

52.20 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
52.21 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
52.22 has an activity that in the taxable year generates a deduction for depreciation under  
52.23 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
52.24 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
52.25 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
52.26 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
52.27 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
52.28 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
52.29 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

52.30 (16) 80 percent of the amount by which the deduction allowed by section 179 of the  
52.31 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
52.32 Revenue Code of 1986, as amended through December 31, 2003;

52.33 (17) to the extent deducted in computing federal taxable income, the amount of the  
52.34 deduction allowable under section 199 of the Internal Revenue Code; ~~and~~

52.35 (18) the exclusion allowed under section 139A of the Internal Revenue Code for  
52.36 federal subsidies for prescription drug plans;



(19) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that

the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation; and

(22) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 3. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

55.1 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
55.2 capital loss carrybacks shall not be allowed;

55.3 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
55.4 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
55.5 allowed;

55.6 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
55.7 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
55.8 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

55.9 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
55.10 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
55.11 extent such loss was not used in a prior taxable year and subject to the provisions of  
55.12 Minnesota Statutes 1986, section 290.16, shall be allowed;

55.13 (6) an amount for interest and expenses relating to income not taxable for federal  
55.14 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
55.15 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
55.16 291 of the Internal Revenue Code in computing federal taxable income;

55.17 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
55.18 which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a  
55.19 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
55.20 must be apportioned between the lessor and lessee in accordance with rules prescribed  
55.21 by the commissioner. In the case of property held in trust, the allowable deduction must  
55.22 be apportioned between the income beneficiaries and the trustee in accordance with the  
55.23 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
55.24 of the trust's income allocable to each;

55.25 (8) for certified pollution control facilities placed in service in a taxable year  
55.26 beginning before December 31, 1986, and for which amortization deductions were elected  
55.27 under section 169 of the Internal Revenue Code of 1954, as amended through December  
55.28 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
55.29 1986, section 290.09, subdivision 7;

55.30 (9) amounts included in federal taxable income that are due to refunds of income,  
55.31 excise, or franchise taxes based on net income or related minimum taxes paid by the  
55.32 corporation to Minnesota, another state, a political subdivision of another state, the  
55.33 District of Columbia, or a foreign country or possession of the United States to the extent  
55.34 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,  
55.35 clause (1), in a prior taxable year;

56.1 (10) 80 percent of royalties, fees, or other like income accrued or received from a  
56.2 foreign operating corporation or a foreign corporation which is part of the same unitary  
56.3 business as the receiving corporation, unless the income resulting from such payments or  
56.4 accruals is income from sources within the United States as defined in subtitle A, chapter  
56.5 1, subchapter N, part 1, of the Internal Revenue Code;

56.6 (11) income or gains from the business of mining as defined in section 290.05,  
56.7 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

56.8 (12) the amount of handicap access expenditures in the taxable year which are not  
56.9 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

56.10 (13) the amount of qualified research expenses not allowed for federal income tax  
56.11 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that  
56.12 the amount exceeds the amount of the credit allowed under section 290.068;

56.13 (14) the amount of salary expenses not allowed for federal income tax purposes due  
56.14 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue  
56.15 Code;

56.16 (15) the amount of any refund of environmental taxes paid under section 59A of the  
56.17 Internal Revenue Code;

56.18 (16) for taxable years beginning before January 1, 2008, the amount of the federal  
56.19 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
56.20 which is included in gross income under section 87 of the Internal Revenue Code;

56.21 (17) for a corporation whose foreign sales corporation, as defined in section 922  
56.22 of the Internal Revenue Code, constituted a foreign operating corporation during any  
56.23 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,  
56.24 claiming the deduction under section 290.21, subdivision 4, for income received from  
56.25 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of  
56.26 income excluded under section 114 of the Internal Revenue Code, provided the income is  
56.27 not income of a foreign operating company;

56.28 (18) any decrease in subpart F income, as defined in section 952(a) of the Internal  
56.29 Revenue Code, for the taxable year when subpart F income is calculated without regard  
56.30 to the provisions of section 614 of Public Law 107-147;

56.31 (19) in each of the five tax years immediately following the tax year in which an  
56.32 addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of  
56.33 the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
56.34 amount of the addition made by the taxpayer under subdivision 19c, clause (15). The  
56.35 resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2005.

Sec. 4. Minnesota Statutes 2004, section 290.34, subdivision 1, is amended to read:

Subdivision 1. **Business conducted in such a way as to create losses or improper taxable net income.** (a) When any corporation liable to taxation under this chapter conducts its business in such a manner as, directly or indirectly, to benefit its members or stockholders or any person or corporation interested in such business or to reduce the income attributable to this state by selling the commodities or services in which it deals at less than the fair price which might be obtained therefor, or buying such commodities or services at more than the fair price for which they might have been obtained, or when any corporation, a substantial portion of whose shares is owned directly or indirectly by another corporation, deals in the commodities or services of the latter corporation in such a manner as to create a loss or improper net income or to reduce the taxable net income attributable to this state, the commissioner of revenue may determine the amount of its income so as to reflect what would have been its reasonable taxable net income but for the arrangements causing the understatement of its taxable net income or the overstatement of its losses, having regard to the fair profits which, but for any agreement, arrangement, or understanding, might have been or could have been obtained from such business.

(b) When any corporation engages in a transaction or series of transactions whose primary business purpose is the avoidance of tax, or engages in a transaction or series of transactions without economic substance, that transaction or series of transactions shall be disregarded and the commissioner shall determine taxable net income without regard for any such transaction or series of transactions.

Sec. 5. **INTENT OF LEGISLATURE.**

Section 4 does not change Minnesota law, but merely clarifies the legislature's intention with respect to transactions without economic substance or business purpose.

## ARTICLE 5 PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 116J.993, subdivision 3, is amended to read:

Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure,

58.1 the principal amount of a loan at rates below those commercially available to the recipient,  
58.2 any reduction or deferral of any tax or any fee, any guarantee of any payment under any  
58.3 loan, lease, or other obligation, or any preferential use of government facilities given  
58.4 to a business.

58.5 The following forms of financial assistance are not a business subsidy:

58.6 (1) a business subsidy of less than \$25,000;

58.7 (2) assistance that is generally available to all businesses or to a general class of  
58.8 similar businesses, such as a line of business, size, location, or similar general criteria;

58.9 (3) public improvements to buildings or lands owned by the state or local  
58.10 government that serve a public purpose and do not principally benefit a single business or  
58.11 defined group of businesses at the time the improvements are made;

58.12 (4) redevelopment property polluted by contaminants as defined in section 116J.552,  
58.13 subdivision 3;

58.14 (5) assistance provided for the sole purpose of renovating old or decaying building  
58.15 stock or bringing it up to code and assistance provided for designated historic preservation  
58.16 districts, provided that the assistance is equal to or less than 50 percent of the total cost;

58.17 (6) assistance to provide job readiness and training services if the sole purpose of  
58.18 the assistance is to provide those services;

58.19 (7) assistance for housing;

58.20 (8) assistance for pollution control or abatement, including assistance for a tax  
58.21 increment financing hazardous substance subdistrict as defined under section 469.174,  
58.22 subdivision 23;

58.23 (9) assistance for energy conservation;

58.24 (10) tax reductions resulting from conformity with federal tax law;

58.25 (11) workers' compensation and unemployment insurance;

58.26 (12) benefits derived from regulation;

58.27 (13) indirect benefits derived from assistance to educational institutions;

58.28 (14) funds from bonds allocated under chapter 474A, bonds issued to refund  
58.29 outstanding bonds, and bonds issued for the benefit of an organization described in section  
58.30 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

58.31 (15) assistance for a collaboration between a Minnesota higher education institution  
58.32 and a business;

58.33 (16) assistance for a tax increment financing soils condition district as defined under  
58.34 section 469.174, subdivision 19;

59.1 (17) redevelopment when the recipient's investment in the purchase of the site  
59.2 and in site preparation is 70 percent or more of the assessor's current year's estimated  
59.3 market value;

59.4 (18) general changes in tax increment financing law and other general tax law  
59.5 changes of a principally technical nature;

59.6 (19) federal assistance until the assistance has been repaid to, and reinvested by, the  
59.7 state or local government agency;

59.8 (20) funds from dock and wharf bonds issued by a seaway port authority;

59.9 (21) business loans and loan guarantees of \$75,000 or less; ~~and~~

59.10 (22) federal loan funds provided through the United States Department of  
59.11 Commerce, Economic Development Administration; and

59.12 (23) property tax abatements granted under section 469.1813 to property that is  
59.13 subject to valuation under Minnesota Rules, chapter 8100.

59.14 Sec. 2. Minnesota Statutes 2004, section 123B.53, subdivision 5, is amended to read:

59.15 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a  
59.16 district equals the sum of the first tier equalized debt service levy and the second tier  
59.17 equalized debt service levy.

59.18 (b) A district's first tier equalized debt service levy equals the district's first tier debt  
59.19 service equalization revenue times the lesser of one or the ratio of:

59.20 (1) the quotient derived by dividing the adjusted net tax capacity of the district for  
59.21 the year before the year the levy is certified by the adjusted pupil units in the district for  
59.22 the school year ending in the year prior to the year the levy is certified; to

59.23 ~~(2) \$3,200~~ \$5,000.

59.24 (c) A district's second tier equalized debt service levy equals the district's second  
59.25 tier debt service equalization revenue times the lesser of one or the ratio of:

59.26 (1) the quotient derived by dividing the adjusted net tax capacity of the district for  
59.27 the year before the year the levy is certified by the adjusted pupil units in the district for  
59.28 the school year ending in the year prior to the year the levy is certified; to

59.29 (2) \$8,000.

59.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008  
59.31 and later.

59.32 Sec. 3. Minnesota Statutes 2005 Supplement, section 123B.54, is amended to read:

**123B.54 DEBT SERVICE APPROPRIATION.**

(a) ~~\$21,624,000~~ \$22,701,000 in fiscal year 2008 and ~~\$20,403,000~~ \$22,269,000 in fiscal year 2009 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 4. Minnesota Statutes 2005 Supplement, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year 2006, ~~and \$10,700 for fiscal year 2007,~~ and \$22,222 for fiscal year 2008 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008 and later.

Sec. 5. Minnesota Statutes 2004, section 144F.01, subdivision 4, is amended to read:

Subd. 4. **Property tax levy authority.** The district's board may levy a tax on the taxable real and personal property in the district. The ad valorem tax levy may not exceed 0.048 percent of the taxable market value of the district or ~~\$250,000~~ \$400,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times as provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel shall be included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

Sec. 6. Minnesota Statutes 2004, section 216B.2424, subdivision 5, is amended to read:

Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4, that operates a nuclear-powered electric generating plant within this state must construct and operate, purchase, or contract to construct and operate (1) by December 31, 1998, 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop biomass scheduled to be operational by December 31, 2001; and (2) by December 31, 1998, an additional 75 megawatts of installed capacity so generated scheduled to be operational by December 31, 2002.



61.1 (b) Of the 125 megawatts of biomass electricity installed capacity required under  
61.2 this subdivision, no more than 55 megawatts of this capacity may be provided by a facility  
61.3 that uses poultry litter as its primary fuel source and any such facility:

61.4 (1) need not use biomass that complies with the definition in subdivision 1;

61.5 (2) must enter into a contract with the public utility for such capacity, that has an  
61.6 average purchase price per megawatt hour over the life of the contract that is equal to or  
61.7 less than the average purchase price per megawatt hour over the life of the contract in  
61.8 contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy  
61.9 the mandate of this section, and file that contract with the Public Utilities Commission  
61.10 prior to September 1, 2000; and

61.11 (3) must schedule such capacity to be operational by December 31, 2002.

61.12 (c) Of the total 125 megawatts of biomass electric energy installed capacity required  
61.13 under this section, no more than 75 megawatts may be provided by a single project.

61.14 (d) Of the 75 megawatts of biomass electric energy installed capacity required under  
61.15 paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by  
61.16 a St. Paul district heating and cooling system cogeneration facility utilizing waste wood  
61.17 as a primary fuel source. The St. Paul district heating and cooling system cogeneration  
61.18 facility need not use biomass that complies with the definition in subdivision 1.

61.19 (e) The public utility must accept and consider on an equal basis with other biomass  
61.20 proposals:

61.21 (1) a proposal to satisfy the requirements of this section that includes a project that  
61.22 exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and  
61.23 that proposes to sell the excess capacity to the public utility or to other purchasers; and

61.24 (2) a proposal for a new facility to satisfy more than ten but not more than 20  
61.25 megawatts of the electrical generation requirements by a small business-sponsored  
61.26 independent power producer facility to be located within the northern quarter of the state,  
61.27 which means the area located north of Constitutional Route No. 8 as described in section  
61.28 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped  
61.29 wood, or brush to generate electricity. A facility described in this clause is not required  
61.30 to utilize biomass complying with the definition in subdivision 1, but must be under  
61.31 construction by December 31, 2005.

61.32 (f) If a public utility files a contract with the commission for electric energy installed  
61.33 capacity that uses poultry litter as its primary fuel source, the commission must do a  
61.34 preliminary review of the contract to determine if it meets the purchase price criteria  
61.35 provided in paragraph (b), clause (2), of this subdivision. The commission shall perform  
61.36 its review and advise the parties of its determination within 30 days of filing of such a

62.1 contract by a public utility. A public utility may submit by September 1, 2000, a revised  
62.2 contract to address the commission's preliminary determination.

62.3 (g) The commission shall finally approve, modify, or disapprove no later than July  
62.4 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the  
62.5 mandate set forth in this subdivision.

62.6 (h) If a public utility subject to this section exercises an option to increase the  
62.7 generating capacity of a project in a contract approved by the commission prior to April  
62.8 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the  
62.9 commission by September 1, 2000, that it has exercised the option and include in the  
62.10 notice the amount of additional megawatts to be generated under the option exercised.  
62.11 Any review by the commission of the project after exercise of such an option shall be  
62.12 based on the same criteria used to review the existing contract.

62.13 (i) A facility specified in this subdivision qualifies for exemption from property  
62.14 taxation under section 272.02, subdivision ~~43~~ 45.

62.15 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2006,  
62.16 payable in 2007, and thereafter.

62.17 Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

62.18 Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of ~~the~~  
62.19 ~~Department of~~ natural resources shall determine lands in the state which are native prairie  
62.20 and shall notify the county assessor of each county in which the lands are located. Pasture  
62.21 land used for livestock grazing purposes shall not be considered native prairie for the  
62.22 purposes of this subdivision unless the pasture is covered by a grazing plan approved by  
62.23 the commissioner of natural resources. Upon receipt of an application for the exemption  
62.24 provided in this subdivision for lands for which the assessor has no determination from  
62.25 the commissioner of natural resources, the assessor shall refer the application to the  
62.26 commissioner of natural resources who shall determine within ~~30~~ 180 days whether the  
62.27 land is native prairie and notify the county assessor of the decision. Exemption of native  
62.28 prairie pursuant to this subdivision shall not grant the public any additional or greater right  
62.29 of access to the native prairie or diminish any right of ownership to it.

62.30 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
62.31 in 2007, and thereafter.

62.32 Sec. 8. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

62.33 Subd. 45. **Biomass electrical generation facility; personal property.**

62.34 Notwithstanding subdivision 9, clause (a), attached machinery and other personal property

which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize biomass as established in section 216B.2424 as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2000, and before December 31, ~~2002~~ 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 9. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

Subd. 54. **Small biomass electric generation facility; personal property.** (a) Subject to paragraph (b), notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction the facility must:

(1) have a generation capacity of less than 25 megawatts;

(2) provide process heating needs in addition to electrical generation; and

(3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be commenced after January 1, 2002, and before ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

(b) The exemption under this subdivision is contingent on approval by the governing bodies of the municipality and county in which the electric generation facility is located.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 10. Minnesota Statutes 2004, section 272.02, subdivision 55, is amended to read:

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At

64.1 the time of construction, the facility must ~~be sited on an energy park that (i) is located on~~  
64.2 ~~an active mining site, or on a former mining or industrial site where mining or industrial~~  
64.3 ~~operations have terminated~~ be designated as an innovative energy project as defined in  
64.4 section 216B.1694, (ii) is be within a tax relief area as defined in section 273.134, (iii)  
64.5 has on-site have access to existing railroad infrastructure within less than three miles, (iv)  
64.6 has direct rail access to a Great Lakes port, (v) has sufficient private water resources  
64.7 on site, and (vi) is have received by resolution approval from the governing body of  
64.8 the county and township or city in which the proposed facility is to be located for the  
64.9 exemption of personal property under this subdivision, and (v) be designed to host at  
64.10 least 500 megawatts of electrical generation.

64.11 Construction of the first ~~250~~ 500 megawatts of the facility must be commenced  
64.12 after January 1, ~~2002~~ 2006, and before January 1, ~~2005~~ 2010. Construction of up to an  
64.13 additional 750 megawatts of generation must be commenced before January 1, ~~2010~~  
64.14 2015. Property eligible for this exemption does not include electric transmission lines and  
64.15 interconnections or gas pipelines and interconnections appurtenant to the property or the  
64.16 facility. To qualify for an exemption under this subdivision, the owner of the electric  
64.17 generation facility must have an agreement with the host county, township or city, and  
64.18 school district, for payment in lieu of personal property taxes to the host county, township  
64.19 or city, and school district.

64.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

64.21 Sec. 11. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision  
64.22 to read:

64.23 **Subd. 84. Electric generation facility; personal property.** Notwithstanding  
64.24 subdivision 9, clause (a), attached machinery and other personal property which is part  
64.25 of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the  
64.26 requirements of this subdivision is exempt. At the time of construction, the facility must:

64.27 (1) utilize between 12 and 16 turbine generators at a dam site existing on March  
64.28 31, 1994;

64.29 (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and

64.30 (3) be eligible to receive a renewable energy production incentive payment under  
64.31 section 216C.41.

64.32 Construction of the facility must be commenced after April 30, 2006, and  
64.33 before January 1, 2009. Property eligible for this exemption does not include electric  
64.34 transmission lines and interconnections or gas pipelines and interconnections appurtenant  
64.35 to the property or the facility.

65.1 **EFFECTIVE DATE.** This section is effective for property taxes levied in 2006,  
65.2 payable in 2007, and thereafter.

65.3 Sec. 12. Minnesota Statutes 2004, section 272.029, subdivision 2, is amended to read:

65.4 Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

65.5 (1) "wind energy conversion system" has the meaning given it in section 216C.06,  
65.6 subdivision 19, and also includes a substation that is used and owned by one or more  
65.7 wind energy conversion facilities;

65.8 (2) "large scale wind energy conversion system" means a wind energy conversion  
65.9 system of more than 12 megawatts, as measured by the nameplate capacity of the system  
65.10 or as combined with other systems as provided in paragraph (b);

65.11 (3) "medium scale wind energy conversion system" means a wind energy conversion  
65.12 system of over two and not more than 12 megawatts, as measured by the nameplate  
65.13 capacity of the system or as combined with other systems as provided in paragraph (b); and

65.14 (4) "small scale wind energy conversion system" means a wind energy conversion  
65.15 system of two megawatts and under, as measured by the nameplate capacity of the system  
65.16 or as combined with other systems as provided in paragraph (b).

65.17 (b) For systems installed and contracted for after January 1, 2002, the total size of a  
65.18 wind energy conversion system under this subdivision shall be determined according to  
65.19 this paragraph. Unless the systems are interconnected with different distribution systems,  
65.20 the nameplate capacity of one wind energy conversion system shall be combined with the  
65.21 nameplate capacity of any other wind energy conversion system that is:

65.22 (1) located within five miles of the wind energy conversion system;

65.23 (2) constructed within the same calendar year as the wind energy conversion system;  
65.24 and

65.25 (3) under common ownership.

65.26 In the case of a dispute, the commissioner of commerce shall determine the total size  
65.27 of the system, and shall draw all reasonable inferences in favor of combining the systems.

65.28 (c) In making a determination under paragraph (b), the commissioner of commerce  
65.29 may determine that two wind energy conversion systems are under common ownership  
65.30 when the underlying ownership structure contains similar persons or entities, even if the  
65.31 ownership shares differ between the two systems. Wind energy conversion systems are  
65.32 not under common ownership solely because the same person or entity provided equity  
65.33 financing for the systems.

65.34 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
65.35 in 2007, and thereafter.

Sec. 13. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

**Subd. 23. First tier valuation limit; agricultural homestead property. (a)**

Beginning with assessment year 2006, the commissioner of revenue shall annually certify the first tier limit for agricultural homestead property as the product of (i) \$600,000, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average taxable market value of agricultural property per acre of deeded farm land for assessment year 1999. The limit shall be rounded to the nearest \$10,000.

(b) For the purposes of this subdivision, "agricultural property" means all class 2 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing area or public access area of a privately owned public use airport, and (3) property consisting of the house, garage and immediately surrounding one acre of land of an agricultural homestead.

(c) The commissioner shall certify the limit by January 2 of each assessment year, except that for assessment year 2006 the commissioner shall certify the limit by June 1, 2006.

**EFFECTIVE DATE.** This section is effective for assessment year 2006 and thereafter.

**Sec. 14. [273.1115] AGGREGATE RESOURCE PRESERVATION PROPERTY TAX LAW.**

**Subdivision 1. Requirements.** Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13, subdivisions 22 and 23;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 2;

(3) the owner has filed a completed application for deferment as specified in subdivision 2 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 2, clause (4).

**Subd. 2. Application.** Application for valuation deferment under this section must be filed by May 1 of the assessment year. Any application filed and granted continues in effect for subsequent years until the property no longer qualifies, provided that supplemental affidavits under subdivision 6 are timely filed. The application must be filed with the assessor of the county in which the real property is located on such

67.1 form as may be prescribed by the commissioner of revenue. The application must be  
67.2 executed and acknowledged in the manner required by law to execute and acknowledge a  
67.3 deed and must contain at least the following information and any other information the  
67.4 commissioner deems necessary:

67.5 (1) the legal description of the area;

67.6 (2) the name and address of owner;

67.7 (3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h),  
67.8 in the case of property classified class 2b, clause (5); or in the case of property classified  
67.9 1a, 1b, 2a, and 2b, clauses (1) to (3), the application must include a similar document with  
67.10 the same information as contained in the affidavit under section 273.13, subdivision 23,  
67.11 paragraph (h); and

67.12 (4) a statement of proof from the owner that the land contains a restrictive covenant  
67.13 limiting its use for the property's surface to that which exists on the date of the application  
67.14 and limiting its future use to the preparation and removal of the aggregate commercial  
67.15 deposit under its surface.

67.16 To qualify under this clause, the covenant must be binding on the owner or the  
67.17 owner's successor or assignee, and run with the land, except as provided in subdivision 4  
67.18 allowing for the cancellation of the covenant under certain conditions.

67.19 Subd. 3. **Determination of value.** Upon timely application by the owner as  
67.20 provided in subdivision 2, notwithstanding sections 272.03, subdivision 8, and 273.11,  
67.21 the value of any qualifying land described in subdivision 2 must be valued as if it were  
67.22 agricultural property, using a per acre valuation equal to the current year's per acre  
67.23 valuation of agricultural land in the county. The assessor shall not consider any additional  
67.24 value resulting from potential alternative and future uses of the property. The buildings  
67.25 located on the land shall be valued by the assessor in the normal manner.

67.26 Subd. 4. **Cancellation of covenant.** The covenant required under subdivision  
67.27 2 may be canceled in two ways:

67.28 (1) by the owner beginning with the next subsequent assessment year provided  
67.29 that the additional taxes as determined under subdivision 5 are paid by the owner at the  
67.30 time of cancellation; and

67.31 (2) by the city or town in which the property is located beginning with the next  
67.32 subsequent assessment year, if the city council or town board:

67.33 (i) changes the conditional use of the property;

67.34 (ii) revokes the mining permit; or

67.35 (iii) changes the zoning to disallow mining.

67.36 No additional taxes are imposed on the property under this clause.

68.1        Subd. 4a. **County termination.** Within two years of the effective date of this  
68.2 section, a county may, following notice and public hearing, terminate application of this  
68.3 section in the county. The termination is effective upon adoption of a resolution of the  
68.4 county board. A county has 60 days from receipt of the first application for enrollment  
68.5 under this section to notify the applicant and any subsequent applicants of the county's  
68.6 intent to begin the process of terminating application of this section in the county. The  
68.7 county must act on the termination within six months. Upon termination by a vote of the  
68.8 county board, all applications received during notification of intent to terminate shall be  
68.9 deemed void. If the county board does not act on the termination within six months of  
68.10 notification, all applications for valuation for deferment received shall be deemed eligible  
68.11 to be enrolled under this section. Following this initial 60-day grace period, a termination  
68.12 applies prospectively and does not affect property enrolled under this section prior to the  
68.13 termination date. A county may reauthorize application of this section by a resolution of  
68.14 the county board revoking the termination.

68.15        Subd. 5. **Additional taxes.** When real property which has been valued and assessed  
68.16 under this section no longer qualifies, the portion of the land classified under subdivision  
68.17 1, clause (1), is subject to additional taxes. The additional tax amount is determined by:

68.18        (1) computing the difference between (i) the current year's taxes determined in  
68.19 accordance with subdivision 5, and (ii) an amount as determined by the assessor based  
68.20 upon the property's current year's estimated market value of like real estate at its highest  
68.21 and best use and the appropriate local tax rate; and

68.22        (2) multiplying the amount determined in clause (1) by the number of years the  
68.23 land was in the program under this section.

68.24        The current year's estimated market value as determined by the assessor must not  
68.25 exceed the market value that would result if the property was sold in an arms-length  
68.26 transaction and must not be greater than it would have been had the actual bona fide sale  
68.27 price of the property been used in lieu of that market value. The additional taxes must be  
68.28 extended against the property on the tax list for the current year, except that interest or  
68.29 penalties must not be levied on such additional taxes if timely paid.

68.30        The additional tax under this subdivision must not be imposed on that portion of the  
68.31 property which has actively been mined and has been removed from the program based  
68.32 upon the supplemental affidavits filed under subdivision 6.

68.33        Subd. 6. **Supplemental affidavits; mining activity on land.** When any portion  
68.34 of the property begins to be actively mined, the owner must file a supplemental affidavit  
68.35 within 60 days from the day any aggregate is removed stating the number of acres of the  
68.36 property that is actively being mined. The acres actively being mined shall be (1) valued



69.1 and classified under section 273.13, subdivision 24, in the next subsequent assessment  
69.2 year, and (2) removed from the aggregate resource preservation property tax program  
69.3 under this section. The additional taxes under subdivision 5 must not be imposed on  
69.4 the acres that are actively being mined and have been removed from the program under  
69.5 this section.

69.6 Copies of the original affidavit and all supplemental affidavits must be filed with the  
69.7 county assessor, the local zoning administrator, and the Department of Natural Resources,  
69.8 Division of Land and Minerals. A supplemental affidavit must be filed each time a  
69.9 subsequent portion of the property is actively mined, provided that the minimum acreage  
69.10 change is five acres, even if the actual mining activity constitutes less than five acres.  
69.11 Failure to file the affidavits timely shall result in the property losing its valuation deferment  
69.12 under this section, and additional taxes must be imposed as calculated under subdivision 5.

69.13 Subd. 7. **Lien.** The additional tax imposed by this section is a lien upon the property  
69.14 assessed to the same extent and for the same duration as other taxes imposed upon  
69.15 property within this state and, when collected, must be distributed in the manner provided  
69.16 by law for the collection and distribution of other property taxes.

69.17 Subd. 8. **Continuation of tax treatment upon sale.** When real property qualifying  
69.18 under subdivision 1 is sold, additional taxes must not be extended against the property  
69.19 if the property continues to qualify under subdivision 1, and the new owner files an  
69.20 application with the assessor for continued deferment within 30 days after the sale.

69.21 Subd. 9. **Definitions.** For purposes of this section, "commercial aggregate deposit"  
69.22 and "actively mined" have the meanings given them in section 273.13, subdivision 23,  
69.23 paragraph (h).

69.24 Subd. 10. **County administrative fee.** A county may charge the owner of property  
69.25 that is valued under this section a fee to compensate for its costs of administering this  
69.26 program.

69.27 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable  
69.28 in 2008, and thereafter, except that for the 2007 assessment year, the application date  
69.29 under subdivision 4 shall be September 1, 2007, and subdivision 4a is effective the day  
69.30 following final enactment.

69.31 Sec. 15. Minnesota Statutes 2004, section 273.124, subdivision 12, is amended to read:

69.32 Subd. 12. **Homestead of member of United States armed forces; Peace Corps;**  
69.33 **VISTA.** (a) Real estate actually occupied and used for the purpose of a homestead by  
69.34 a person, or by a member of that person's immediate family shall be classified as a  
69.35 homestead even though the person or family is absent if (1) the person or the person's

family is absent solely because the person is on active duty with the armed forces of the United States, or is serving as a volunteer under the VISTA or Peace Corps program; (2) the owner intends to return as soon as discharged or relieved from service; and (3) the owner claims it as a homestead. A person who knowingly makes or submits to an assessor an affidavit or other statement that is false in any material matter to obtain or aid another in obtaining a benefit under this subdivision is guilty of a felony.

(b) In the case of a person who is absent solely because the person is on active duty with the United States armed forces, homestead classification must be granted as provided in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even if the property has not been occupied as a homestead by the person or a member of the person's family. To qualify for this classification, the person who acquires the property must notify the assessor of the acquisition and of the person's absence due to military service. When the person returns from military service and occupies the property as a homestead, the person shall notify the assessor, who will provide for abatement of the difference between the nonhomestead and homestead taxes for the current and two preceding years, not to exceed the time during which the person owned the property.

**EFFECTIVE DATE.** This section is effective for assessments in 2006, taxes payable in 2007, and thereafter.

Sec. 16. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision to read:

Subd. 22. **Annual registration of certain relative homesteads.** If the owner of property or the owner's relative who occupies property that is classified as a homestead under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any part of that property for a period that exceeds 31 consecutive days during the calendar year, the recipient of the compensation must register the property with the city in which it is located no later than 60 days after the initial rental period began. This requirement applies to property located in a city that has a population over 25,000. Each such city must maintain a file of these property registrations that is open to the public, and retain the registrations for one year after the date of filing.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

Sec. 17. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~

71.1 ~~75 percent of~~ for the units in the rental housing property that meet any of the following  
 71.2 qualifications:

71.3 (1) the units are subject to a housing assistance payments contract under section 8  
 71.4 of the United States Housing Act of 1937, as amended;

71.5 (2) the units are rent-restricted and income-restricted units of a qualified low-income  
 71.6 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of  
 71.7 1986, as amended;

71.8 (3) the units are financed by the Rural Housing Service of the United States  
 71.9 Department of Agriculture and receive payments under the rental assistance program  
 71.10 pursuant to section 521(a) of the Housing Act of 1949, as amended; or

71.11 (4) the units are subject to rent and income restrictions under the terms of financial  
 71.12 assistance provided to the rental housing property by the federal government ~~or~~ the  
 71.13 state of Minnesota, or a local unit of government as evidenced by a document recorded  
 71.14 against the property.

71.15 The restrictions must require assisted units to be occupied by residents whose  
 71.16 household income at the time of initial occupancy does not exceed 60 percent of the  
 71.17 greater of area or state median income, adjusted for family size, as determined by the  
 71.18 United States Department of Housing and Urban Development. The restriction must also  
 71.19 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of  
 71.20 area or state median income, adjusted for family size, as determined by the United States  
 71.21 Department of Housing and Urban Development.

71.22 **EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable  
 71.23 in 2007, and thereafter.

71.24 Sec. 18. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

71.25 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any  
 71.26 improvements that is homesteaded. The market value of the house and garage and  
 71.27 immediately surrounding one acre of land has the same class rates as class 1a property  
 71.28 under subdivision 22. The value of the remaining land including improvements up to ~~and~~  
 71.29 ~~including \$600,000 market value~~ the first tier valuation limit of agricultural homestead  
 71.30 property has a net class rate of 0.55 percent of market value. The remaining property  
 71.31 over ~~\$600,000 market value~~ the first tier has a class rate of one percent of market value.  
 71.32 For purposes of this subdivision, the "first tier valuation limit of agricultural homestead  
 71.33 property" and "first tier" means the limit certified under section 273.11, subdivision 23.

71.34 (b) Class 2b property is (1) real estate, rural in character and used exclusively for  
 71.35 growing trees for timber, lumber, and wood and wood products; (2) real estate that is not

72.1 improved with a structure and is used exclusively for growing trees for timber, lumber, and  
72.2 wood and wood products, if the owner has participated or is participating in a cost-sharing  
72.3 program for afforestation, reforestation, or timber stand improvement on that particular  
72.4 property, administered or coordinated by the commissioner of natural resources; (3) real  
72.5 estate that is nonhomestead agricultural land; ~~or~~ (4) a landing area or public access area of  
72.6 a privately owned public use airport; or (5) land with a commercial aggregate deposit that  
72.7 is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to  
72.8 (3). Class 2b property has a net class rate of one percent of market value.

72.9 (c) Agricultural land as used in this section means contiguous acreage of ten  
72.10 acres or more, used during the preceding year for agricultural purposes. "Agricultural  
72.11 purposes" as used in this section means the raising or cultivation of agricultural products.  
72.12 "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program  
72.13 under sections 103F.501 to 103F.535, the native prairie bank under section 84.96, or the  
72.14 federal Conservation Reserve Program as contained in Public Law 99-198 if the property  
72.15 was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii)  
72.16 in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous  
72.17 acreage on an immediately adjacent parcel under the same ownership, may also qualify  
72.18 as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land  
72.19 included in state or federal farm programs. Agricultural classification for property shall be  
72.20 determined excluding the house, garage, and immediately surrounding one acre of land,  
72.21 and shall not be based upon the market value of any residential structures on the parcel or  
72.22 contiguous parcels under the same ownership.

72.23 (d) Real estate, excluding the house, garage, and immediately surrounding one acre  
72.24 of land, of less than ten acres which is exclusively and intensively used for raising or  
72.25 cultivating agricultural products, shall be considered as agricultural land.

72.26 Land shall be classified as agricultural even if all or a portion of the agricultural use  
72.27 of that property is the leasing to, or use by another person for agricultural purposes.

72.28 Classification under this subdivision is not determinative for qualifying under  
72.29 section 273.111.

72.30 The property classification under this section supersedes, for property tax purposes  
72.31 only, any locally administered agricultural policies or land use restrictions that define  
72.32 minimum or maximum farm acreage.

72.33 (e) The term "agricultural products" as used in this subdivision includes production  
72.34 for sale of:

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

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

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products, except that short rotation woody crops that are cultivated using agricultural practices to produce timber or forest products are agricultural products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(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

74.1 farm buildings or structures are located on this homesteaded acre of land, their market  
74.2 value shall not be included in this separate determination.

74.3 (g) To qualify for classification under paragraph (b), clause (4), a privately owned  
74.4 public use airport must be licensed as a public airport under section 360.018. For purposes  
74.5 of paragraph (b), clause (4), "landing area" means that part of a privately owned public use  
74.6 airport properly cleared, regularly maintained, and made available to the public for use by  
74.7 aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing  
74.8 or navigational aids. A landing area also includes land underlying both the primary surface  
74.9 and the approach surfaces that comply with all of the following:

74.10 (i) the land is properly cleared and regularly maintained for the primary purposes of  
74.11 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains  
74.12 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

74.13 (ii) the land is part of the airport property; and

74.14 (iii) the land is not used for commercial or residential purposes.

74.15 The land contained in a landing area under paragraph (b), clause (4), must be described  
74.16 and certified by the commissioner of transportation. The certification is effective until  
74.17 it is modified, or until the airport or landing area no longer meets the requirements of  
74.18 paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area"  
74.19 means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival  
74.20 and departure building in connection with the airport.

74.21 (h) To qualify for classification under paragraph (b), clause (5), the property must be  
74.22 at least ten contiguous acres in size and the owner of the property must record with the  
74.23 county recorder of the county in which the property is located an affidavit containing:

74.24 (1) a legal description of the property;

74.25 (2) a disclosure that the property contains a commercial aggregate deposit that is not  
74.26 actively being mined but is present on the entire parcel enrolled;

74.27 (3) documentation that the conditional use under the county or local zoning  
74.28 ordinance of this property is for mining; and

74.29 (4) documentation that a permit has been issued by the local unit of government  
74.30 or the mining activity is allowed under local ordinance. The disclosure must include a  
74.31 statement from a registered professional geologist, engineer, or soil scientist delineating  
74.32 the deposit and certifying that it is a commercial aggregate deposit.

74.33 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
74.34 means a deposit that will yield crushed stone or sand and gravel that is suitable for use  
74.35 as a construction aggregate; and "actively mined" means the removal of top soil and  
74.36 overburden in preparation for excavation or excavation of a commercial deposit.

(i) When any portion of the property under this subdivision or section 273.13, subdivision 22, begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter, except that the provisions relating to land with aggregate deposits is effective for taxes levied in 2007, payable in 2008, and thereafter.

**Sec. 19. [273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.**

Rules adopted by the commissioner of revenue that prescribe the method of valuing property of electric and transmission pipeline utilities may not take effect before the end of the regular legislative session in the calendar year following adoption of the rules.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

**Sec. 20.** Minnesota Statutes 2005 Supplement, 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 and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county

76.1 levy under this paragraph includes an amount for a lake improvement district as defined  
76.2 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be  
76.3 separately stated from the remaining county levy amount. In the case of Ramsey County,  
76.4 if the county levy under this paragraph includes an amount for public library service  
76.5 under section 134.07, the amount attributable for that purpose may be separated from the  
76.6 remaining county levy amount. The amount of the tax on homesteads qualifying under the  
76.7 senior citizens' property tax deferral program under chapter 290B is the total amount of  
76.8 property tax before subtraction of the deferred property tax amount. The amount of the  
76.9 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also  
76.10 be separately stated. The dollar amounts, including the dollar amount of any special  
76.11 assessments, may be rounded to the nearest even whole dollar. For purposes of this section  
76.12 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.  
76.13 The amount of market value excluded under section 273.11, subdivision 16, if any, must  
76.14 also be listed on the tax statement.

76.15 (b) The property tax statements for manufactured homes and sectional structures  
76.16 taxed as personal property shall contain the same information that is required on the  
76.17 tax statements for real property.

76.18 (c) Real and personal property tax statements must contain the following information  
76.19 in the order given in this paragraph. The information must contain the current year tax  
76.20 information in the right column with the corresponding information for the previous year  
76.21 in a column on the left:

76.22 (1) the property's estimated market value under section 273.11, subdivision 1;

76.23 (2) the property's taxable market value after reductions under section 273.11,  
76.24 subdivisions 1a and 16;

76.25 (3) the property's gross tax, calculated by adding the property's total property tax to  
76.26 the sum of the aids enumerated in clause (4);

76.27 (4) a total of the following aids:

76.28 (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,  
76.29 and 127A;

76.30 (ii) local government aids for cities, towns, and counties under sections 477A.011 to  
76.31 477A.04; and

76.32 (iii) disparity reduction aid under section 273.1398;

76.33 (5) for homestead residential and agricultural properties, the credits under section  
76.34 273.1384;



(6) 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"; and

(7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in paragraph (c), clause (4), that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

(e) A notice must be printed on the front side of the property tax statement for homestead property stating that if the total property tax has increased over the previous year's tax by more than the threshold percentage in section 290A.04, subdivision 2h, the taxpayer may be eligible, regardless of income, for a special property tax refund from the state.

**EFFECTIVE DATE.** This section is effective for property tax statements prepared in 2006, for property taxes payable in 2007 and thereafter.

Sec. 21. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. **Authority.** The governing body of a political subdivision may grant an a current or prospective abatement, by contract or otherwise, of the taxes imposed by the political subdivision on a parcel of property, which may include personal property and machinery, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

(a) (1) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (b)(7); and

(b) (2) it finds that doing so is in the public interest because it will:

(1) (i) increase or preserve tax base;

78.1       ~~(2)~~ (ii) provide employment opportunities in the political subdivision;  
78.2       ~~(3)~~ (iii) provide or help acquire or construct public facilities;  
78.3       ~~(4)~~ (iv) help redevelop or renew blighted areas;  
78.4       ~~(5)~~ (v) help provide access to services for residents of the political subdivision;  
78.5       ~~(6)~~ (vi) finance or provide public infrastructure; ~~or~~  
78.6       ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of  
78.7       50 percent or more in one year on the estimated market value of the parcel, other than  
78.8       increase attributable to improvement of the parcel; or  
78.9       (viii) stabilize the tax base through equalization of property tax revenues for a  
78.10      specified period of time with respect to a taxpayer whose real and personal property is  
78.11      subject to valuation under Minnesota Rules, chapter 8100.

78.12      Sec. 22. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6,  
78.13      is amended to read:

78.14           Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a  
78.15      period no longer than 15 years, except as provided under paragraph (b). The abatement  
78.16      period will commence in the first year in which the abatement granted is either paid or  
78.17      retained in accordance with section 469.1815, subdivision 2. The subdivision may specify  
78.18      in the abatement resolution a shorter duration. If the resolution does not specify a period  
78.19      of time, the abatement is for eight years. If an abatement has been granted to a parcel of  
78.20      property and the period of the abatement has expired, the political subdivision that granted  
78.21      the abatement may not grant another abatement for eight years after the expiration of the  
78.22      first abatement. This prohibition does not apply to improvements added after and not  
78.23      subject to the first abatement. Economic abatement agreements for real and personal  
78.24      property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this  
78.25      prohibition and may be granted successively.

78.26           (b) A political subdivision proposing to abate taxes for a parcel may request, in  
78.27      writing, that the other political subdivisions in which the parcel is located grant an  
78.28      abatement for the property. If one of the other political subdivisions declines, in writing,  
78.29      to grant an abatement or if 90 days pass after receipt of the request to grant an abatement  
78.30      without a written response from one of the political subdivisions, the duration limit  
78.31      for an abatement for the parcel by the requesting political subdivision and any other  
78.32      participating political subdivision is increased to 20 years. If the political subdivision  
78.33      which declined to grant an abatement later grants an abatement for the parcel, the 20-year  
78.34      duration limit is reduced by one year for each year that the declining political subdivision  
78.35      grants an abatement for the parcel during the period of the abatement granted by the

79.1 requesting political subdivision. The duration limit may not be reduced below the limit  
79.2 under paragraph (a).

79.3 Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to  
79.4 read:

79.5 Subd. 6b. **Extended duration limit.** (a) Notwithstanding the provisions of  
79.6 subdivision 6, a political subdivision may grant an abatement for a period of up to 20  
79.7 years, if the abatement is for a qualified business.

79.8 (b) To be a qualified business for purposes of this subdivision, at least 50 percent of  
79.9 the payroll of the operations of the business that qualify for the abatement must be for  
79.10 employees engaged in one of the following lines of business or any combination of them:

- 79.11 (1) manufacturing;
- 79.12 (2) agricultural processing;
- 79.13 (3) mining;
- 79.14 (4) research and development;
- 79.15 (5) warehousing; or
- 79.16 (6) qualified high technology.

79.17 Alternatively, a qualified business also includes a taxpayer whose real and personal  
79.18 property is subject to valuation under Minnesota Rules, chapter 8100.

79.19 (c)(1) "Manufacturing" means the material staging and production of tangible  
79.20 personal property by procedures commonly regarded as manufacturing, processing,  
79.21 fabrication, or assembling which changes some existing material into new shapes, new  
79.22 qualities, or new combinations.

79.23 (2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code  
79.24 of 1986.

79.25 (3) "Agricultural processing" means transforming, packaging, sorting, or grading  
79.26 livestock or livestock products, agricultural commodities, or plants or plant products into  
79.27 goods that are used for intermediate or final consumption including goods for nonfood use.

79.28 (4) "Research and development" means qualified research as defined in section  
79.29 41(d) of the Internal Revenue Code of 1986.

79.30 (5) "Qualified high technology" means one or more of the following activities:

79.31 (i) advanced computing, which is any technology used in the design and  
79.32 development of any of the following:

- 79.33 (A) computer hardware and software;
- 79.34 (B) data communications; and
- 79.35 (C) information technologies;

80.1 (ii) advanced materials, which are materials with engineered properties created  
80.2 through the development of specialized process and synthesis technology;

80.3 (iii) biotechnology, which is any technology that uses living organisms, cells,  
80.4 macromolecules, microorganisms, or substances from living organisms to make or modify  
80.5 a product, improve plants or animals, or develop microorganisms for useful purposes;

80.6 (iv) electronic device technology, which is any technology that involves  
80.7 microelectronics, semiconductors, electronic equipment, and instrumentation, radio  
80.8 frequency, microwave, and millimeter electronics, and optical and optic-electrical devices,  
80.9 or data and digital communications and imaging devices;

80.10 (v) engineering or laboratory testing related to the development of a product;

80.11 (vi) technology that assists in the assessment or prevention of threats or damage to  
80.12 human health or the environment, including, but not limited to, environmental cleanup  
80.13 technology, pollution prevention technology, or development of alternative energy sources;

80.14 (vii) medical device technology, which is any technology that involves medical  
80.15 equipment or products other than a pharmaceutical product that has therapeutic or  
80.16 diagnostic value and is regulated; or

80.17 (viii) advanced vehicles technology which is any technology that involves electric  
80.18 vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the  
80.19 construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric  
80.20 vehicle is a road vehicle that draws propulsion energy only from an on-board source of  
80.21 electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from  
80.22 both a consumable fuel and a rechargeable energy storage system.

80.23 (d) The authority to grant new abatements under this subdivision expires on July 1,  
80.24 2004, except that the authority to grant new abatements for real and personal property  
80.25 subject to valuation under Minnesota Rules, chapter 8100, does not expire.

80.26 Sec. 24. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

80.27 Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes  
80.28 abated by a political subdivision under this section may not exceed (1) ten percent of  
80.29 the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision  
80.30 does not apply to:

80.31 (1) an uncollected abatement from a prior year that is added to the abatement levy; or

80.32 (2) a taxpayer whose real and personal property is subject to valuation under

80.33 Minnesota Rules, chapter 8100.

80.34 Sec. 25. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

81.1 Subd. 9. **Consent of property owner not required.** A political subdivision may  
81.2 abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the  
81.3 consent of the property owner. This subdivision does not apply to abatements granted to a  
81.4 taxpayer whose real and personal property is valued under Minnesota Rules, chapter 8100.

81.5 Sec. 26. Minnesota Statutes 2004, section 469.1813, is amended by adding a  
81.6 subdivision to read:

81.7 Subd. 10. **Applicability to utility properties.** When this statute is applied or  
81.8 utilized with respect to a taxpayer whose real and personal property is subject to valuation  
81.9 under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814  
81.10 and 469.1815 shall apply only to property specified or described in the abatement contract  
81.11 or agreement.

81.12 Sec. 27. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision  
81.13 to read:

81.14 Subd. 3c. **Uncompensated care reimbursement.** (a) As used in this subdivision,  
81.15 the following terms have the meanings given in this paragraph.

81.16 (1) "Uncompensated care" means the sum of (i) the amount that would have been  
81.17 charged by a facility for rendering free or discounted care to persons who cannot afford to  
81.18 pay and for which the facility did not expect payment and (ii) the amount that had been  
81.19 charged by a facility for rendering care to persons and billed to that person or a third-party  
81.20 payer for which the facility expected but did not receive payment. Uncompensated care  
81.21 does not include contractual write-offs.

81.22 (2) A "qualifying hospital" means a hospital in the area that is:

81.23 (i) owned or operated by a local unit of government, or formerly owned by a  
81.24 university or is a private nonprofit hospital that leases its building from the county in  
81.25 which it is located; and

81.26 (ii) has a licensed bed capacity greater than 400.

81.27 (b) A county that contains a qualifying hospital is eligible for reimbursement of  
81.28 that portion of gross charges for uncompensated care determined by multiplying the  
81.29 hospital's gross charges during the base year by the percentage of uncompensated care  
81.30 provided by the hospital during the base year minus one-half of one percent of those gross  
81.31 charges, dividing the result by two, and adjusting the cost by multiplying that result by the  
81.32 hospital's cost-to-charge ratio during the base year. By July 15, 2007, and each subsequent  
81.33 year, the county shall notify its county auditor, as well as the administrative auditor, of the  
81.34 amount of qualifying uncompensated care provided, adjusted to cost using the hospital's  
81.35 cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

82.1 (c) The amount certified under paragraph (b) shall be certified annually by the  
82.2 county auditor to the administrative auditor as an addition to the county's areawide levy  
82.3 under subdivision 5.

82.4 (d) The administrative auditor shall pay one-half of the reimbursement to the county  
82.5 auditor of the county that contains the qualifying hospital on or before June 15 and the  
82.6 remaining one-half of the reimbursement on or before November 15. The county auditor  
82.7 receiving the payment shall disburse the reimbursement to the qualifying hospital within  
82.8 15 days of receipt of the reimbursement.

82.9 (e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals  
82.10 that participate in this program shall agree upon and implement a common standard for  
82.11 reporting uncompensated care, and a common standard for determining eligibility for  
82.12 uncompensated care for all participating hospitals.

82.13 **EFFECTIVE DATE.** This section is effective for fiscal disparities contribution and  
82.14 distribution tax capacities for taxes payable in 2008 and 2009 only.

82.15 Sec. 28. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective  
82.16 date, as amended by Laws 2005, chapter 151, article 3, section 19, is amended to read:

82.17 [EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in  
82.18 2003, ~~through taxes levied in 2009, payable in 2010~~ and thereafter.

82.19 Sec. 29. **PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL**  
82.20 **DISTRICT.**

82.21 Notwithstanding Minnesota Statutes, sections 126C.48 and 275.065, with the  
82.22 agreement of the school district's home county, Independent School District No. 535,  
82.23 Rochester, on or before October 8, shall certify to the county auditor the district's proposed  
82.24 property tax levy for taxes payable in the following year.

82.25 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 only.

82.26 Sec. 30. **LEASE LEVY; ADMINISTRATIVE SPACE, ROCORI AND**  
82.27 **FARIBAULT.**

82.28 Independent School Districts Nos. 656, Faribault, and 750, Rocori, may lease  
82.29 administrative space under Minnesota Statutes, section 126C.40, subdivision 1, if the  
82.30 district can demonstrate to the satisfaction of the commissioner of education that the  
82.31 administrative space is less expensive than instructional space that the district would  
82.32 otherwise lease. The commissioner must deny this levy authority unless the district  
82.33 passes a resolution stating its intent to lease instructional space under Minnesota Statutes,  
82.34 section 126C.40, subdivision 1, if the commissioner does not grant authority under this  
82.35 section. The resolution must also certify that a lease of administrative space under this

83.1 section is less expensive than the district's proposed instructional lease. Levy authority  
83.2 under this section shall not exceed the total levy authority under Minnesota Statutes,  
section 126C.40, subdivision 1, paragraph (e).

83.4 **EFFECTIVE DATE.** This section is effective for revenue for taxes payable in 2007.

83.5 Sec. 31. **MISCELLANEOUS EDUCATION PROPERTY TAX REDUCTION.**

83.6 Notwithstanding Minnesota Statutes, section 126C.10, subdivision 13a, the  
83.7 commissioner of education shall increase the operating capital equalizing factor under  
83.8 Minnesota Statutes, section 126C.10, subdivision 13a, to reduce the operating capital levy  
83.9 by \$2,593,000 in fiscal year 2008 and \$2,259,000 in fiscal year 2009.

83.10 **ARTICLE 6**

83.11 **DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS**

83.12 Section 1. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 22,  
83.13 is amended to read:

83.14 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)  
83.15 and (c), real estate which is residential and used for homestead purposes is class 1a. In the  
83.16 case of a duplex or triplex in which one of the units is used for homestead purposes, the  
83.17 entire property is deemed to be used for homestead purposes. The market value of class 1a  
83.18 property must be determined based upon the value of the house, garage, and land.

83.19 The first \$500,000 of market value of class 1a property has a net class rate of  
83.20 one percent of its market value; and the market value of class 1a property that exceeds  
83.21 \$500,000 has a class rate of 1.25 percent of its market value.

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

83.24 (1) any person who is blind as defined in section 256D.35, or the blind person and  
83.25 the blind person's spouse; or

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

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

83.28 (ii) is entitled to compensation under the laws and regulations of the United States  
83.29 for permanent and total service-connected disability due to the loss, or loss of use, by  
83.30 reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both  
83.31 lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or  
83.32 a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities  
83.34 made necessary by the nature of the veteran's disability, or the surviving spouse of the

84.1 deceased veteran for as long as the surviving spouse retains the special housing unit  
84.2 as a homestead; or

84.3 (3) any person who is permanently and totally disabled.

84.4 Property is classified and assessed under clause (3) only if the government agency or  
84.5 income-providing source certifies, upon the request of the homestead occupant, that the  
84.6 homestead occupant satisfies the disability requirements of this paragraph.

84.7 Property is classified and assessed pursuant to clause (1) only if the commissioner of  
84.8 revenue certifies to the assessor that the homestead occupant satisfies the requirements of  
84.9 this paragraph.

84.10 Permanently and totally disabled for the purpose of this subdivision means a  
84.11 condition which is permanent in nature and totally incapacitates the person from working  
84.12 at an occupation which brings the person an income. The first \$32,000 market value of  
84.13 class 1b property has a net class rate of .45 percent of its market value. The remaining  
84.14 market value of class 1b property has a class rate using the rates for class 1a or class 2a  
84.15 property, whichever is appropriate, of similar market value.

84.16 (c) Class 1c property is commercial use real property that abuts a lakeshore line and  
84.17 is devoted to temporary and seasonal residential occupancy for recreational purposes but  
84.18 not devoted to commercial purposes for more than 250 days in the year preceding the  
84.19 year of assessment, and that includes a portion used as a homestead by the owner, which  
84.20 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns  
84.21 the resort, a partner in a partnership that owns the resort, or a member of a limited liability  
84.22 company that owns the resort even if the title to the homestead is held by the corporation,  
84.23 partnership, or limited liability company. For purposes of this clause, property is devoted  
84.24 to a commercial purpose on a specific day if any portion of the property, excluding the  
84.25 portion used exclusively as a homestead, is used for residential occupancy and a fee  
84.26 is charged for residential occupancy. The portion of the property used as a homestead  
84.27 ~~by the owner has the same class rates as~~ is class 1a property under paragraph (a). The  
84.28 remainder of the property is classified as follows: the first \$500,000 of market value is tier  
84.29 I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III.  
84.30 The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25  
84.31 percent. If a class 1c resort property has any market value in tier III, the entire property  
84.32 must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for  
84.33 class 1c treatment under this paragraph.

84.34 (d) Class 1d property includes structures that meet all of the following criteria:

84.35 (1) the structure is located on property that is classified as agricultural property under  
84.36 section 273.13, subdivision 23;



85.1 (2) the structure is occupied exclusively by seasonal farm workers during the time  
85.2 when they work on that farm, and the occupants are not charged rent for the privilege of  
85.3 occupying the property, provided that use of the structure for storage of farm equipment  
85.4 and produce does not disqualify the property from classification under this paragraph;

85.5 (3) the structure meets all applicable health and safety requirements for the  
85.6 appropriate season; and

85.7 (4) the structure is not salable as residential property because it does not comply  
85.8 with local ordinances relating to location in relation to streets or roads.

85.9 The market value of class 1d property has the same class rates as class 1a property  
85.10 under paragraph (a).

85.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and  
85.12 thereafter.

85.13 Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is  
85.14 amended to read:

85.15 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more  
85.16 units and used or held for use by the owner or by the tenants or lessees of the owner  
85.17 as a residence for rental periods of 30 days or more, excluding property qualifying for  
85.18 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other  
85.19 than hospitals exempt under section 272.02, and contiguous property used for hospital  
85.20 purposes, without regard to whether the property has been platted or subdivided. The  
85.21 market value of class 4a property has a class rate of 1.25 percent.

85.22 (b) Class 4b includes:

85.23 (1) residential real estate containing less than four units that does not qualify as class  
85.24 4bb, other than seasonal residential recreational property;

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

85.26 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead  
85.27 farm classified under subdivision 23, paragraph (b) containing two or three units; and

85.28 (4) unimproved property that is classified residential as determined under subdivision  
85.29 33.

85.30 The market value of class 4b property has a class rate of 1.25 percent.

85.31 (c) Class 4bb includes:

85.32 (1) nonhomestead residential real estate containing one unit, other than seasonal  
85.33 residential recreational property; and

85.34 (2) a single family dwelling, garage, and surrounding one acre of property on a  
85.35 nonhomestead farm classified under subdivision 23, paragraph (b).

85.36 Class 4bb property has the same class rates as class 1a property under subdivision 22.

86.1 Property that has been classified as seasonal residential recreational property at  
86.2 any time during which it has been owned by the current owner or spouse of the current  
86.3 owner does not qualify for class 4bb.

86.4 (d) Class 4c property includes:

86.5 (1) except as provided in subdivision 22, paragraph (c), real property devoted to  
86.6 temporary and seasonal residential occupancy for recreation purposes, including real  
86.7 property devoted to temporary and seasonal residential occupancy for recreation purposes  
86.8 and not devoted to commercial purposes for more than 250 days in the year preceding  
86.9 the year of assessment. For purposes of this clause, property is devoted to a commercial  
86.10 purpose on a specific day if any portion of the property is used for residential occupancy,  
86.11 and a fee is charged for residential occupancy. In order for a property to be classified as  
86.12 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of  
86.13 the annual gross lodging receipts related to the property must be from business conducted  
86.14 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging  
86.15 guests during the year must be for periods of at least two consecutive nights; or (ii) at least  
86.16 20 percent of the annual gross receipts must be from charges for rental of fish houses,  
86.17 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for  
86.18 marina services, launch services, and guide services, or the sale of bait and fishing tackle.  
86.19 For purposes of this determination, a paid booking of five or more nights shall be counted  
86.20 as two bookings. Class 4c also includes commercial use real property used exclusively  
86.21 for recreational purposes in conjunction with class 4c property devoted to temporary  
86.22 and seasonal residential occupancy for recreational purposes, up to a total of two acres,  
86.23 provided the property is not devoted to commercial recreational use for more than 250  
86.24 days in the year preceding the year of assessment and is located within two miles of the  
86.25 class 4c property with which it is used. Owners of real property devoted to temporary and  
86.26 seasonal residential occupancy for recreation purposes and all or a portion of which was  
86.27 devoted to commercial purposes for not more than 250 days in the year preceding the year  
86.28 of assessment desiring classification as class 1c or 4c, must submit a declaration to the  
86.29 assessor designating the cabins or units occupied for 250 days or less in the year preceding  
86.30 the year of assessment by January 15 of the assessment year. Those cabins or units and a  
86.31 proportionate share of the land on which they are located will be designated class 1c or 4c  
86.32 as otherwise provided. The remainder of the cabins or units and a proportionate share of  
86.33 the land on which they are located will be designated as class 3a. The owner of property  
86.34 desiring designation as class 1c or 4c property must provide guest registers or other  
86.35 records demonstrating that the units for which class 1c or 4c designation is sought were  
86.36 not occupied for more than 250 days in the year preceding the assessment if so requested.

87.1 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other  
87.2 nonresidential facility operated on a commercial basis not directly related to temporary and  
87.3 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

87.4 (2) qualified property used as a golf course if:

87.5 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
87.6 dues, but a membership fee may not be required in order to use the property for golfing,  
87.7 and its green fees for golfing must be comparable to green fees typically charged by  
87.8 municipal courses; and

87.9 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

87.10 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction  
87.11 with the golf course is classified as class 3a property;

87.12 (3) real property up to a maximum of one acre of land owned by a nonprofit  
87.13 community service oriented organization; provided that the property is not used for a  
87.14 revenue-producing activity for more than six days in the calendar year preceding the year  
87.15 of assessment and the property is not used for residential purposes on either a temporary  
87.16 or permanent basis. For purposes of this clause, a "nonprofit community service oriented  
87.17 organization" means any corporation, society, association, foundation, or institution  
87.18 organized and operated exclusively for charitable, religious, fraternal, civic, or educational  
87.19 purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3),  
87.20 (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31,  
87.21 1990. For purposes of this clause, "revenue-producing activities" shall include but not be  
87.22 limited to property or that portion of the property that is used as an on-sale intoxicating  
87.23 liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant  
87.24 open to the public, bowling alley, a retail store, gambling conducted by organizations  
87.25 licensed under chapter 349, an insurance business, or office or other space leased or  
87.26 rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of  
87.27 the property which is used for revenue-producing activities for more than six days in the  
87.28 calendar year preceding the year of assessment shall be assessed as class 3a. The use of  
87.29 the property for social events open exclusively to members and their guests for periods of  
87.30 less than 24 hours, when an admission is not charged nor any revenues are received by the  
87.31 organization shall not be considered a revenue-producing activity;

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

87.36 (5) manufactured home parks as defined in section 327.14, subdivision 3;

88.1 (6) real property that is actively and exclusively devoted to indoor fitness, health,  
88.2 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,  
88.3 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

88.4 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt  
88.5 under section 272.01, subdivision 2, and the land on which it is located, provided that:

88.6 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan  
88.7 Airports Commission, or group thereof; and

88.8 (ii) the land lease, or any ordinance or signed agreement restricting the use of the  
88.9 leased premise, prohibits commercial activity performed at the hangar.

88.10 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must  
88.11 be filed by the new owner with the assessor of the county where the property is located  
88.12 within 60 days of the sale;

88.13 (8) a privately owned noncommercial aircraft storage hangar not exempt under  
88.14 section 272.01, subdivision 2, and the land on which it is located, provided that:

88.15 (i) the land abuts a public airport; and

88.16 (ii) the owner of the aircraft storage hangar provides the assessor with a signed  
88.17 agreement restricting the use of the premises, prohibiting commercial use or activity  
88.18 performed at the hangar; and

88.19 (9) residential real estate, a portion of which is used by the owner for homestead  
88.20 purposes, and that is also a place of lodging, if all of the following criteria are met:

88.21 (i) rooms are provided for rent to transient guests that generally stay for periods  
88.22 of 14 or fewer days;

88.23 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated  
88.24 in the basic room rate;

88.25 (iii) meals are not provided to the general public except for special events on fewer  
88.26 than seven days in the calendar year preceding the year of the assessment; and

88.27 (iv) the owner is the operator of the property.

88.28 The market value subject to the 4c classification under this clause is limited to five rental  
88.29 units. Any rental units on the property in excess of five, must be valued and assessed as  
88.30 class 3a. The portion of the property used for purposes of a homestead by the owner must  
88.31 be classified as class 1a property under subdivision 22.

88.32 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
88.33 parcel of seasonal residential recreational property not used for commercial purposes has  
88.34 the same class rates as class 4bb property, (ii) manufactured home parks assessed under  
88.35 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal  
88.36 residential recreational property has a class rate of one percent for the first \$500,000

89.1 of market value, ~~which includes any market value receiving the one percent rate under~~  
89.2 ~~subdivision 22,~~ and 1.25 percent for the remaining market value, (iv) the market value  
89.3 of property described in clause (4) has a class rate of one percent, (v) the market value  
89.4 of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that  
89.5 portion of the market value of property in clause (9) qualifying for class 4c property  
89.6 has a class rate of 1.25 percent.

89.7 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
89.8 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion  
89.9 of the units in the building qualify as low-income rental housing units as certified under  
89.10 section 273.128, subdivision 3, only the proportion of qualifying units to the total number  
89.11 of units in the building qualify for class 4d. The remaining portion of the building shall be  
89.12 classified by the assessor based upon its use. Class 4d also includes the same proportion of  
89.13 land as the qualifying low-income rental housing units are to the total units in the building.  
89.14 For all properties qualifying as class 4d, the market value determined by the assessor must  
89.15 be based on the normal approach to value using normal unrestricted rents.

89.16 Class 4d property has a class rate of 0.75 percent.

89.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and  
89.18 subsequent years.

89.19 Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is  
89.20 amended to read:

89.21 Subdivision 1. **Residential homestead market value credit.** Each county auditor  
89.22 shall determine a homestead credit for each class 1a, 1b, ~~1c,~~ and 2a homestead property  
89.23 within the county equal to 0.4 percent of the first \$76,000 of market value of the property  
89.24 minus .09 percent of the market value in excess of \$76,000. The credit amount may not  
89.25 be less than zero. In the case of an agricultural or resort homestead, only the market  
89.26 value of the house, garage, and immediately surrounding one acre of land is eligible  
89.27 in determining the property's homestead credit. In the case of a property ~~which~~ that is  
89.28 classified as part homestead and part nonhomestead, (i) the credit shall apply only to  
89.29 the homestead portion of the property, but (ii) if a portion of a property is classified as  
89.30 nonhomestead solely because not all the owners occupy the property, not all the owners  
89.31 have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses  
89.32 ~~do not~~ of owners occupy the property, the credit amount shall be initially computed as  
89.33 if that nonhomestead portion were also in the homestead class and then prorated to the  
89.34 owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not~~  
89.35 ~~occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse

90.1 does not occupy the property, the percentage of ownership for the owner-occupant spouse  
90.2 is one-half of the couple's ownership percentage.

90.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and  
90.4 thereafter.

90.5 Sec. 4. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

90.6 Subd. 2. **Agricultural homestead market value credit.** Property classified  
90.7 as class 2a agricultural homestead is eligible for an agricultural credit. The credit is  
90.8 computed using the property's agricultural credit market value, defined for this purpose  
90.9 as the property's class 2a market value excluding the market value of the house, garage,  
90.10 and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the  
90.11 first \$115,000 of the property's agricultural credit market value. ~~The credit under this~~  
90.12 ~~subdivision is limited to \$345 for each homestead. The credit is reduced by minus .05~~  
90.13 percent of the property's agricultural credit market value in excess of \$115,000, subject to  
90.14 a maximum reduction of \$115. In the case of property that is classified in part as class 2a  
90.15 agricultural homestead and in part as class 2b nonhomestead farm land solely because not  
90.16 all the owners occupy or farm the property, not all the owners have qualifying relatives  
90.17 occupying or farming the property, or solely because not all the spouses of owners occupy  
90.18 the property, the credit must be initially computed as if that nonhomestead agricultural  
90.19 land was also classified as class 2a agricultural homestead and then prorated to the  
90.20 owner-occupant's percentage of ownership.

90.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and  
90.22 thereafter.

90.23 Sec. 5. Minnesota Statutes 2004, section 273.1398, subdivision 3, is amended to read:

90.24 Subd. 3. **Disparity reduction aid.** ~~For taxes payable in 2003 and subsequent years,~~  
90.25 The amount of disparity aid certified for each taxing district within each unique taxing  
90.26 jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the  
90.27 jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid  
90.28 is being computed, to (2) its tax capacity using the class rates for taxes payable in the year  
90.29 prior to that for which aid is being computed, both based upon market values for taxes  
90.30 payable in the year prior to that for which aid is being computed. ~~For the purposes of this~~  
90.31 ~~aid determination, disparity reduction aid certified for taxes payable in the prior year for~~  
90.32 ~~a taxing entity other than a town or school district is deemed to be county government~~  
90.33 ~~disparity reduction aid. The amount of disparity aid certified to each taxing jurisdiction~~  
90.34 ~~shall be reduced by any reductions required in the current year or permanent reductions~~

91.1 ~~required in previous years under section 477A.0132.~~ If the commissioner determines that  
91.2 insufficient information is available to reasonably and timely calculate the numerator  
91.3 in this ratio for the first taxes payable year that a class rate change or new class rate is  
91.4 effective, the commissioner shall omit the effects of that class rate change or new class  
91.5 rate when calculating this ratio for aid payable in that taxes payable year. For aid payable  
91.6 in the year following a year for which such omission was made, the commissioner shall  
91.7 use in the denominator for the class that was changed or created, the tax capacity for taxes  
91.8 payable two years prior to that in which the aid is payable, based on market values for  
91.9 taxes payable in the year prior to that for which aid is being computed.

91.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and  
91.11 thereafter.

91.12 Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

91.13 Subd. 9. **Certificate.** After the time for redemption of any lands shall have expired  
91.14 after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall  
91.15 execute a certificate describing the lands, specifying the tax judgment sale at which the  
91.16 same were bid in for the state, and stating that the time for redemption thereof has expired  
91.17 after notice given as provided by law and that absolute title thereto has vested in the  
91.18 state of Minnesota. Such certificate shall be recorded in the office of the county recorder  
91.19 ~~and thereafter filed in the office of the county auditor,~~ except that in case of registered  
91.20 land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a~~  
91.21 ~~duplicate filed in the office of the county auditor.~~ Such certificate and the record thereof  
91.22 shall be prima facie evidence of the facts therein stated, but failure to execute or record or  
91.23 file such certificate shall not affect the validity of any proceedings hereunder respecting  
91.24 such lands or the title of the state thereto.

91.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

91.26 Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

91.27 **284.07 COUNTY AUDITOR'S CERTIFICATE TO BE PRIMA FACIE**  
91.28 **EVIDENCE.**

91.29 The county auditor's certificate of forfeiture ~~filed~~ recorded by the county auditor  
91.30 as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any  
91.31 other law hereafter enacted providing for the recording of such a certificate or a certified  
91.32 copy of such certificate or of the record thereof, shall, for all purposes, be prima facie  
91.33 evidence that all requirements of the law respecting the taxation and forfeiture of the  
91.34 lands therein described were complied with, and that at the date of the certificate absolute

92.1 title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as  
92.2 set forth in the certificate.

92.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

92.4 Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

92.5 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue  
92.6 shall make all necessary calculations and make payments pursuant to sections 477A.013,  
92.7 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition,  
92.8 the commissioner shall notify the authorities of their aid amounts, as well as the  
92.9 computational factors used in making the calculations for their authority, and those  
92.10 statewide total figures that are pertinent, before August 1 of the year preceding the aid  
92.11 distribution year.

92.12 (b) For the purposes of this subdivision, aid is determined for a city or town based  
92.13 on its city or town status as of June 30 of the year preceding the aid distribution year. If  
92.14 the effective date for a municipal incorporation, consolidation, annexation, detachment,  
92.15 dissolution, or township organization is on or before June 30 of the year preceding  
92.16 the aid distribution year, such change in boundaries or form of government shall be  
92.17 recognized for aid determinations for the aid distribution year. If the effective date for a  
92.18 municipal incorporation, consolidation, annexation, detachment, dissolution, or township  
92.19 organization is after June 30 of the year preceding the aid distribution year, such change in  
92.20 boundaries or form of government shall not be recognized for aid determinations until  
92.21 the following year.

92.22 (c) Changes in boundaries or form of government will only be recognized for the  
92.23 purposes of this subdivision, to the extent that: (1) changes in market values are included  
92.24 in market values reported by assessors to the commissioner, and changes in population,  
92.25 household size, and the road accidents factor are included in their respective certifications  
92.26 to the commissioner as referenced in section 477A.011, or (2) an annexation information  
92.27 report as provided in paragraph (d) is received by the commissioner on or before July 15  
92.28 of the aid calculation year. Revisions to estimates or data for use in recognizing changes  
92.29 in boundaries or form of government are not effective for purposes of this subdivision  
92.30 unless received by the commissioner on or before July 15 of the aid calculation year.  
92.31 Clerical errors in the certification or use of estimates and data established as of July 15 in  
92.32 the aid calculation year are subject to correction within the time periods allowed under  
92.33 subdivision 3.

92.34 (d) In the case of an annexation, an annexation information report may be completed  
92.35 by the annexing jurisdiction and submitted to the commissioner for purposes of this



93.1 subdivision if the net tax capacity of annexed area for the assessment year preceding the  
93.2 effective date of the annexation exceeds five percent of the city's net tax capacity for the  
93.3 same year. The form and contents of the annexation information report shall be prescribed  
93.4 by the commissioner. The commissioner shall change the net tax capacity, the population,  
93.5 the population decline, the commercial industrial percentage, and the transformed  
93.6 population for the annexing jurisdiction only if the annexation information report provides  
93.7 data the commissioner determines to be reliable for all of these factors used to compute city  
93.8 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940  
93.9 housing percentage, the road accidents factor, and household size only if the entire area of  
93.10 an existing city or town is annexed or consolidated and only if reliable data is available for  
93.11 all of these factors used to compute city revenue need for the annexing jurisdiction.

93.12 **EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

93.13 **ARTICLE 7**  
93.14 **DEPARTMENT OF REVENUE SALES AND USE TAXES**

93.15 Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3,  
93.16 is amended to read:

93.17 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited  
93.18 to, each of the transactions listed in this subdivision.

93.19 (b) Sale and purchase include:

93.20 (1) any transfer of title or possession, or both, of tangible personal property, whether  
93.21 absolutely or conditionally, for a consideration in money or by exchange or barter; and

93.22 (2) the leasing of or the granting of a license to use or consume, for a consideration  
93.23 in money or by exchange or barter, tangible personal property, other than a manufactured  
93.24 home used for residential purposes for a continuous period of 30 days or more.

93.25 (c) Sale and purchase include the production, fabrication, printing, or processing of  
93.26 tangible personal property for a consideration for consumers who furnish either directly or  
93.27 indirectly the materials used in the production, fabrication, printing, or processing.

93.28 (d) Sale and purchase include the preparing for a consideration of food.

93.29 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited  
93.30 to, the following:

93.31 (1) prepared food sold by the retailer;

93.32 (2) soft drinks;

93.33 (3) candy;

93.34 (4) dietary supplements; and

93.35 (5) all food sold through vending machines.

94.1 (e) A sale and a purchase includes the furnishing for a consideration of electricity,  
94.2 gas, water, or steam for use or consumption within this state.

94.3 (f) A sale and a purchase includes the transfer for a consideration of prewritten  
94.4 computer software whether delivered electronically, by load and leave, or otherwise.

94.5 (g) A sale and a purchase includes the furnishing for a consideration of the following  
94.6 services:

94.7 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
94.8 events, and the making available of amusement devices, tanning facilities, reducing  
94.9 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

94.10 (2) lodging and related services by a hotel, rooming house, resort, campground,  
94.11 motel, or trailer camp and the granting of any similar license to use real property in a  
94.12 specific facility, other than the renting or leasing of it for a continuous period of 30 days  
94.13 or more under an enforceable written agreement that may not be terminated without  
94.14 prior notice;

94.15 (3) nonresidential parking services, whether on a contractual, hourly, or other  
94.16 periodic basis, except for parking at a meter;

94.17 (4) the granting of membership in a club, association, or other organization if:

94.18 (i) the club, association, or other organization makes available for the use of its  
94.19 members sports and athletic facilities, without regard to whether a separate charge is  
94.20 assessed for use of the facilities; and

94.21 (ii) use of the sports and athletic facility is not made available to the general public  
94.22 on the same basis as it is made available to members.

94.23 Granting of membership means both onetime initiation fees and periodic membership  
94.24 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and  
94.25 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;  
94.26 swimming pools; and other similar athletic or sports facilities;

94.27 (5) delivery of aggregate materials and concrete block by a third party if the delivery  
94.28 would be subject to the sales tax if provided by the seller of the aggregate material or  
94.29 concrete block; and

94.30 (6) services as provided in this clause:

94.31 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
94.32 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
94.33 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
94.34 include services provided by coin operated facilities operated by the customer;

95.1 (ii) motor vehicle washing, waxing, and cleaning services, including services  
95.2 provided by coin operated facilities operated by the customer, and rustproofing,  
undercoating, and towing of motor vehicles;

95.4 (iii) building and residential cleaning, maintenance, and disinfecting and  
95.5 exterminating services;

95.6 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
95.7 including services performed within the jurisdiction they serve by off-duty licensed peace  
95.8 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
95.9 organization for monitoring and electronic surveillance of persons placed on in-home  
95.10 detention pursuant to court order or under the direction of the Minnesota Department  
95.11 of Corrections;

95.12 (v) pet grooming services;

95.13 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
95.14 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
95.15 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
95.16 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
95.17 public utility lines. Services performed under a construction contract for the installation of  
95.18 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

95.19 (vii) massages, except when provided by a licensed health care facility or  
95.20 professional or upon written referral from a licensed health care facility or professional for  
95.21 treatment of illness, injury, or disease; and

95.22 (viii) the furnishing of lodging, board, and care services for animals in kennels and  
95.23 other similar arrangements, but excluding veterinary and horse boarding services.

95.24 In applying the provisions of this chapter, the terms "tangible personal property"  
95.25 and "~~sales at retail sale~~" include taxable services listed in clause (6), items (i) to (vi) and  
95.26 (viii), and the provision of these taxable services, unless specifically provided otherwise.  
95.27 Services performed by an employee for an employer are not taxable. Services performed  
95.28 by a partnership or association for another partnership or association are not taxable if one  
95.29 of the entities owns or controls more than 80 percent of the voting power of the equity  
95.30 interest in the other entity. Services performed between members of an affiliated group of  
95.31 corporations are not taxable. For purposes of the preceding sentence, "affiliated group  
95.32 of corporations" ~~includes~~ means those entities that would be classified as members of an  
95.33 affiliated group as defined under United States Code, title 26, section 1504, ~~and that are~~  
~~eligible to file a consolidated tax return for federal income tax purposes~~ disregarding  
95.35 the exclusions in section 1504(b).

96.1 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
96.2 personal property or taxable services by the United States or any of its agencies or  
96.3 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
96.4 subdivisions.

96.5 (i) A sale and a purchase includes the furnishing for a consideration of  
96.6 telecommunications services, including cable television services and direct satellite  
96.7 services. Telecommunications services are taxed to the extent allowed under federal law.

96.8 (j) A sale and a purchase includes the furnishing for a consideration of installation if  
96.9 the installation charges would be subject to the sales tax if the installation were provided  
96.10 by the seller of the item being installed.

96.11 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
96.12 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
96.13 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
96.14 65B.29, subdivision 1, clause (1).

96.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

96.16 Sec. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

96.17 Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery,  
96.18 equipment, implements, accessories, and contrivances used directly and principally in  
96.19 agricultural production of tangible personal property intended to be sold ultimately at  
96.20 retail including, but not limited to:

96.21 (1) machinery for the preparation, seeding, or cultivation of soil for growing  
96.22 agricultural crops;

96.23 (2) barn cleaners, milking systems, grain dryers, feeding systems including  
96.24 stationary feed bunks, and similar installations, whether or not the equipment is installed  
96.25 by the seller and becomes part of the real property; and

96.26 (3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe  
96.27 fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation  
96.28 system when sold as part of an irrigation system, whether or not the equipment is installed  
96.29 by the seller and becomes part of the real property.

96.30 (b) Farm machinery does not include:

96.31 (1) repair or replacement parts;

96.32 (2) tools, shop equipment, grain bins, fencing material, communication equipment,  
96.33 and other farm supplies;

96.34 (3) motor vehicles taxed under chapter 297B;

96.35 (4) snowmobiles or snow blowers;

97.1 (5) lawn mowers except those used in the production of sod for sale, or garden-type  
97.2 tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in  
97.4 the production of horses not raised for slaughter, fur-bearing animals, or research animals.

97.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

97.6 Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
97.7 to read:

97.8 **Subd. 16a. Computer.** "Computer" means an electronic device that accepts  
97.9 information in digital or similar form and manipulates it for a result based on a sequence  
97.10 of instructions.

97.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2 Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
97.13 to read:

97.14 **Subd. 16b. Electronic.** "Electronic" means relating to technology having electrical,  
97.15 digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

97.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

97.17 Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision  
97.18 to read:

97.19 **Subd. 16c. Computer software.** "Computer software" means a set of coded  
97.20 instructions designed to cause a computer or automatic data processing equipment to  
97.21 perform a task.

2 **EFFECTIVE DATE.** This section is effective the day following final enactment.

97.23 Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

97.24 **Subd. 17. Prewritten computer software.** "Prewritten computer software" means  
97.25 computer software, including prewritten upgrades, that is not designed and developed by  
97.26 the author or other creator to the specifications of a specific purchaser. The combining  
97.27 of two or more "prewritten computer software" programs or prewritten portions of the  
97.28 programs does not cause the combination to be other than "prewritten computer software."  
97.29 "Prewritten computer software" includes software designed and developed by the author  
97.30 or other creator to the specifications of a specific purchaser when it is sold to a person  
97.31 other than the specific purchaser. If a person modifies or enhances computer software  
2 of which the person is not the author or creator, the person is deemed to be the author  
97.33 or creator only of such person's modifications or enhancements. "Prewritten computer  
97.34 software" or a prewritten portion of it that is modified or enhanced to any degree, if the

modification or enhancement is designed and developed to the specifications of a specific purchaser, remains "prewritten computer software"; provided, however, that if there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, the modification or enhancement does not constitute "prewritten computer software." ~~For purposes of this subdivision:~~

~~(1) "computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions;~~

~~(2) "electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities; and~~

~~(3) "computer software" means a set of coded instructions designed to cause a "computer" or automatic data processing equipment to perform a task.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

**Subd. 37. Logging equipment.** (a) "Logging equipment" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the commercial cutting or removal or both of timber or other solid wood forest products, including, but not limited to:

(1) machinery used for bucking, bunching, debarking, delimbing, felling, forwarding, loading, piling, skidding, topping, and yarding operations performed on timber; and

(2) chain saws.

(b) Logging equipment does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, communication equipment, and other logging supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or

(5) machinery, equipment, implements, accessories, and contrivances used in the creation of other commercial wood products for sale to others, including, but not limited to, milling, planing, carving, wood chipping, or paper manufacturing.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 297A.63, is amended to read:

**297A.63 USE TAXES IMPOSED; RATES.**

**Subdivision 1. Use of tangible personal property or taxable services.** (a) 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

99.1 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the sales  
99.2 purchase price of retail sales of the tangible personal property or taxable services at the  
99.3 rate of tax imposed under section 297A.62. A person that purchases property from a  
99.4 Minnesota retailer and returns the tangible personal property to a point within Minnesota,  
99.5 except in the course of interstate commerce, after it was delivered outside of Minnesota,  
99.6 is subject to the use tax.

99.7 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62  
99.8 was paid on the sales price of the tangible personal property or taxable services.

99.9 (c) No tax is imposed under paragraph (a) if the purchase meets the requirements for  
99.10 exemption under section 297A.67, subdivision 21.

99.11 **Subd. 2. Use of tangible personal property made from materials.** (a) A use tax  
99.12 is imposed on a person who manufactures, fabricates, or assembles tangible personal  
99.13 property from materials, either within or outside this state and who uses, stores, distributes,  
99.14 or consumes the tangible personal property in Minnesota. The tax is imposed on the sales  
99.15 purchase price of retail sales of the materials contained in the tangible personal property at  
99.16 the rate of tax imposed under section 297A.62.

99.17 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62  
99.18 was paid on the sales price of materials contained in the tangible personal property.

99.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

99.20 Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

99.21 **Subd. 6. Multiple points of use.** (a) Notwithstanding the provisions of subdivisions  
99.22 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the  
99.23 time of its purchase of a digital good, computer software delivered electronically, or a  
99.24 service that the digital good, computer software delivered electronically, or service will  
99.25 be concurrently available for use in more than one ~~taxing~~ jurisdiction shall deliver to  
99.26 the seller in conjunction with its purchase a multiple points of use exemption certificate  
99.27 disclosing this fact.

99.28 (b) Upon receipt of the multiple points of use exemption certificate, the seller is  
99.29 relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is  
99.30 obligated to collect, pay, or remit the applicable tax on a direct pay basis.

99.31 (c) A purchaser delivering the multiple points of use exemption certificate may use  
99.32 any reasonable, but consistent and uniform, method of apportionment that is supported by  
99.33 the purchaser's business records as they exist at the time of the consummation of the sale.

99.34 (d) The multiple points of use exemption certificate remains in effect for all future  
99.35 sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent

100.1 sale's specific apportionment that is governed by the principle of paragraph (c) and the  
100.2 facts existing at the time of the sale.

100.3 (e) A holder of a direct pay permit is not required to deliver a multiple points or use  
100.4 exemption certificate to the seller. A direct pay permit holder shall follow the provisions  
100.5 of paragraph (c) in apportioning the tax due on a digital good, computer software delivered  
100.6 electronically, or a service that will be concurrently available for use in more than one  
100.7 ~~taxing~~ jurisdiction.

100.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.9 Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to  
100.10 read:

100.11 Subd. 11. **Mobile telecommunications service.** "Mobile telecommunications  
100.12 service," for purposes of this section, means the same as that term is defined in Section  
100.13 ~~124(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

100.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.15 Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

100.16 Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy,  
100.17 and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums,  
100.18 nursing homes, senior citizen homes, and correctional, detention, and detoxification  
100.19 facilities are exempt. Food sold through vending machines is not exempt.

100.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.21 Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

100.22 Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy,  
100.23 and soft drinks served at public and private elementary, middle, or secondary schools as  
100.24 defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft  
100.25 drinks served to students at a college, university, or private career school under a board  
100.26 contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not~~  
100.27 ~~include sales from vending machines.~~ Food sold through vending machines is not exempt.

100.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.29 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is  
100.30 amended to read:

100.31 Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks  
100.32 purchased for and served exclusively to individuals who are 60 years of age or over and  
100.33 their spouses or to handicapped persons and their spouses by governmental agencies,



101.1 nonprofit organizations, or churches, or pursuant to any program funded in whole or in  
101.2 part through United States Code, title 42, sections 3001 through 3045, wherever delivered,  
101.3 prepared, or served, are exempt. Food sold through vending machines is not exempt.

101.4 (b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served  
101.5 exclusively to children who are less than 14 years of age or disabled children who are less  
101.6 than 16 years of age and who are attending a child care or early childhood education  
101.7 program, are exempt if they are:

101.8 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,  
101.9 subdivision 4, and that primarily serves families with income of 250 percent or less of  
101.10 federal poverty guidelines; and

101.11 (2) prepared at the site of the child care facility.

101.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

101.13 Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

101.14 Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers  
101.15 and related computer software sold by a school, college, university, or private career  
101.16 school to students who are enrolled at the institutions are exempt if:

101.17 (1) the use of the ~~personal~~ computer, or of a substantially similar model of computer,  
101.18 and the related computer software is prescribed by the institution in conjunction with a  
101.19 course of study; and

101.20 (2) each student of the institution, or of a unit of the institution in which the student  
101.21 is enrolled, is required by the institution to have such a ~~personal~~ computer and related  
101.22 software as a condition of enrollment.

101.23 For the purposes of this subdivision, "school" and "private career school" have the  
101.24 meanings given in subdivision 13.

101.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

101.26 Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

101.27 Subd. 27. **Sewing materials.** Sewing materials are exempt. For purposes of this  
101.28 subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim,  
101.29 and other items that are usually directly incorporated into the construction of clothing, as  
101.30 defined in subdivision 8, regardless of whether it is actually used for making clothing.  
101.31 It does not include batting, foam, or fabric specifically manufactured for arts and craft  
101.32 projects, or other materials for craft projects.

101.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

102.1 Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37,  
102.2 is amended to read:

102.3 Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal  
102.4 property or taxable services by a qualified business, as defined in section 469.310, are  
102.5 exempt if the property or services are primarily used or consumed in a job opportunity  
102.6 building zone designated under section 469.314. For purposes of this subdivision, an aerial  
102.7 camera package, including any camera, computer, and navigation device contained in the  
102.8 package, that is used in an aircraft that is operated under a Federal Aviation Administration  
102.9 Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14,  
102.10 part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and  
102.11 dispatched from a job opportunity building zone, qualifies as primarily used or consumed  
102.12 in a job opportunity building zone if the imagery acquired from the aerial camera package  
102.13 is returned to the job opportunity building zone for processing. The exemption for an  
102.14 aerial camera package is limited to ~~\$50,000 in taxes~~ as provided in this subdivision and  
102.15 the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,  
102.16 applied and then refunded in the manner provided in section 297A.75. The total amount  
102.17 of the aerial camera package exemption refunded for all taxpayers for all fiscal years is  
102.18 limited to \$50,000 in taxes.

102.19 (b) Purchase and use of construction materials; and supplies, ~~or equipment~~ used or  
102.20 consumed in, and equipment incorporated into, the construction of improvements to  
102.21 real property in a job opportunity building zone are exempt if the improvements after  
102.22 completion of construction are to be used in the conduct of a qualified business, as defined  
102.23 in section 469.310. This exemption applies regardless of whether the purchases are made  
102.24 by the business or a contractor.

102.25 (c) The exemptions under this subdivision apply to a local sales and use tax  
102.26 regardless of whether the local sales tax is imposed on the sales taxable as defined under  
102.27 this chapter.

102.28 (d) This subdivision applies to sales, if the purchase was made and delivery received  
102.29 during the duration of the zone.

102.30 (e) Notwithstanding the restriction in paragraph (a), which requires items purchased  
102.31 to be primarily used or consumed in the zone, purchases by a qualified business that is  
102.32 an electrical cooperative located in Meeker County of equipment and materials used for  
102.33 the generation, transmission, and distribution of electrical energy are exempt under this  
102.34 subdivision, except that:

102.35 (1) the exemption for materials and equipment used or consumed outside the zone  
102.36 must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

102.37 (2) no sales and use tax exemption is allowed for equipment purchased for resale.

103.1 For purposes of this paragraph, the tax must be imposed and collected as if the rate  
103.2 under section 297A.62, subdivision 1, applied and then refunded in the manner provided  
103.3 in section 297A.75.

103.4 **EFFECTIVE DATE.** Paragraphs (a) and (e) are effective for sales and purchases  
103.5 made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made  
103.6 on or after January 1, 2004.

103.7 Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38,  
103.8 is amended to read:

103.9 Subd. 38. **Biotechnology and health sciences industry zone.** (a) Purchases of  
103.10 tangible personal property or taxable services by a qualified business, as defined in section  
103.11 469.330, are exempt if the property or services are primarily used or consumed in a  
103.12 biotechnology and health sciences industry zone designated under section 469.334.

103.13 (b) Purchase and use of construction materials; and supplies, or equipment used  
103.14 or consumed in, and equipment incorporated into, the construction of improvements  
103.15 to real property in a biotechnology and health sciences industry zone are exempt if the  
103.16 improvements after completion of construction are to be used in the conduct of a qualified  
103.17 business, as defined in section 469.330. This exemption applies regardless of whether the  
103.18 purchases are made by the business or a contractor.

103.19 (c) The exemptions under this subdivision apply to a local sales and use tax  
103.20 regardless of whether the local sales tax is imposed on the sales taxable as defined under  
103.21 this chapter.

103.22 (d)(1) The tax on sales of goods or services exempted under this subdivision are  
103.23 imposed and collected as if the applicable rate under section 297A.62 applied. Upon  
103.24 application by the purchaser, on forms prescribed by the commissioner, a refund equal  
103.25 to the tax paid must be paid to the purchaser. The application must include sufficient  
103.26 information to permit the commissioner to verify the sales tax paid and the eligibility of  
103.27 the claimant to receive the credit. No more than two applications for refunds may be filed  
103.28 under this subdivision in a calendar year. The provisions of section 289A.40 apply to  
103.29 the refunds payable under this subdivision.

103.30 (2) The amount required to make the refunds is annually appropriated to the  
103.31 commissioner of revenue.

103.32 (3) The aggregate amount refunded to a qualified business must not exceed the  
103.33 amount allocated to the qualified business under section 469.335.

103.34 (e) This subdivision applies only to sales made during the duration of the designation  
103.35 of the zone.

104.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made on  
104.2 or after January 1, 2004.

104.3 Sec. 18. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

104.4 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),  
104.5 to the following governments and political subdivisions, or to the listed agencies or  
104.6 instrumentalities of governments and political subdivisions, are exempt:

104.7 (1) the United States and its agencies and instrumentalities;

104.8 (2) school districts, the University of Minnesota, state universities, community  
104.9 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts  
104.10 Education, and an instrumentality of a political subdivision that is accredited as an  
104.11 optional/special function school by the North Central Association of Colleges and Schools;

104.12 (3) hospitals and nursing homes owned and operated by political subdivisions of  
104.13 the state of tangible personal property and taxable services used at or by hospitals and  
104.14 nursing homes;

104.15 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip  
104.16 operations provided for in section 473.4051;

104.17 (5) other states or political subdivisions of other states, if the sale would be exempt  
104.18 from taxation if it occurred in that state; and

104.19 (6) sales to public libraries, public library systems, multicounty, multitype library  
104.20 systems as defined in section 134.001, county law libraries under chapter 134A, state  
104.21 agency libraries, the state library under section 480.09, and the Legislative Reference  
104.22 Library.

104.23 (b) This exemption does not apply to the sales of the following products and services:

104.24 (1) building, construction, or reconstruction materials purchased by a contractor  
104.25 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
104.26 guaranteed maximum price covering both labor and materials for use in the construction,  
104.27 alteration, or repair of a building or facility;

104.28 (2) construction materials purchased by tax exempt entities or their contractors to  
104.29 be used in constructing buildings or facilities which will not be used principally by the  
104.30 tax exempt entities;

104.31 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5,  
104.32 except for leases entered into by the United States or its agencies or instrumentalities; or

104.33 (4) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~  
104.34 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for  
104.35 ~~meals and~~ prepared food, candy, and soft drinks purchased directly by the United  
104.36 States or its agencies or instrumentalities.

105.1 (c) As used in this subdivision, "school districts" means public school entities and  
105.2 districts of every kind and nature organized under the laws of the state of Minnesota, and  
105.3 any instrumentality of a school district, as defined in section 471.59.

105.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

105.5 Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

105.6 Subd. 3. **Sales of certain goods and services to government.** (a) The following  
105.7 sales to or use by the specified governments and political subdivisions of the state are  
105.8 exempt:

105.9 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and  
105.10 fire apparatus to a political subdivision;

105.11 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
105.12 municipal solid waste management services at a solid waste disposal facility as defined in  
105.13 section 115A.03, subdivision 10;

105.14 (3) chore and homemaking services to a political subdivision of the state to be  
105.15 provided to elderly or disabled individuals;

105.16 (4) telephone services to the Department of Administration that are used to provide  
105.17 telecommunications services through the intertechnologies revolving fund;

105.18 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
105.19 or authorized by and for the use of an organized fire department, fire protection district, or  
105.20 fire company regularly charged with the responsibility of providing fire protection to the  
105.21 state or a political subdivision;

105.22 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
105.23 protection, if purchased by a law enforcement agency of the state or a political subdivision  
105.24 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

105.25 (7) motor vehicles purchased or leased by political subdivisions of the state if the  
105.26 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),  
105.27 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax  
105.28 under section 297B.03, clause (12);

105.29 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
105.30 treatment facilities of political subdivisions, and materials incidental to installation of  
105.31 that equipment; ~~and~~

105.32 (9) sales to a town of gravel and of machinery, equipment, and accessories, except  
105.33 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of  
105.34 motor vehicles exempt from tax under section 297B.03, clause (10); and

106.1           (10) the removal of trees, bushes, or shrubs for the construction and maintenance  
106.2 of roads, trails, or firebreaks when purchased by an agency of the state or a political  
106.3 subdivision of the state.

106.4           (b) For purposes of this subdivision, "firefighters personal protective equipment"  
106.5 means helmets, including face shields, chin straps, and neck liners; bunker coats and  
106.6 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;  
106.7 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;  
106.8 personal alert safety systems; spanner belts; optical or thermal imaging search devices;  
106.9 and all safety equipment required by the Occupational Safety and Health Administration.

106.10           **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
106.11 October 28, 2002, but for sales and purchases made after October 28, 2002, and before  
106.12 July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for  
106.13 sales taxes collected and remitted to the state.

106.14           Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

106.15           Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph  
106.16 (b), to the following "nonprofit organizations" are exempt:

106.17           (1) a corporation, society, association, foundation, or institution organized and  
106.18 operated exclusively for charitable, religious, or educational purposes if the item  
106.19 purchased is used in the performance of charitable, religious, or educational functions; and

106.20           (2) any senior citizen group or association of groups that:

106.21           (i) in general limits membership to persons who are either age 55 or older, or  
106.22 physically disabled; and

106.23           (ii) is organized and operated exclusively for pleasure, recreation, and other  
106.24 nonprofit purposes, no part of the net earnings of which inures to the benefit of any private  
106.25 shareholders.

106.26           For purposes of this subdivision, charitable purpose includes the maintenance of a  
106.27 cemetery owned by a religious organization.

106.28           (b) This exemption does not apply to the following sales:

106.29           (1) building, construction, or reconstruction materials purchased by a contractor  
106.30 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
106.31 guaranteed maximum price covering both labor and materials for use in the construction,  
106.32 alteration, or repair of a building or facility;

106.33           (2) construction materials purchased by tax-exempt entities or their contractors to  
106.34 be used in constructing buildings or facilities that will not be used principally by the  
106.35 tax-exempt entities; and

- 107.1 (3) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~  
107.2 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks; and  
107.3 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as  
107.4 provided in paragraph (c).
- 107.5 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
107.6 297B.01, subdivision 5, only if the vehicle is:
- 107.7 (1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a  
107.8 passenger automobile, as defined in section 168.011, if the automobile is designed and  
107.9 used for carrying more than nine persons including the driver; and
- 107.10 (2) intended to be used primarily to transport tangible personal property or  
107.11 individuals, other than employees, to whom the organization provides service in  
107.12 performing its charitable, religious, or educational purpose.
- 107.13 (d) A limited liability company also qualifies for exemption under this subdivision if  
107.14 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
107.15 purchased qualify for the exemption.

107.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

107.17 Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

107.18 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those  
107.19 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in  
107.20 providing hospital services. For purposes of this subdivision, "hospital" means a hospital  
107.21 organized and operated for charitable purposes within the meaning of section 501(c)(3) of  
107.22 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,  
107.23 and "hospital services" are services authorized or required to be performed by a "hospital"  
107.24 under chapter 144.

107.25 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center  
107.26 are exempt, if the items purchased are used in providing outpatient surgical services. For  
107.27 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical  
107.28 center organized and operated for charitable purposes within the meaning of section  
107.29 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other  
107.30 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:  
107.31 (1) services authorized or required to be performed by an outpatient surgical center under  
107.32 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means  
107.33 health services furnished to a person whose medical condition is sufficiently acute to  
107.34 require treatment unavailable through, or inappropriate to be provided by, a clinic or  
107.35 physician's office, but not so acute as to require treatment in a hospital emergency room.

108.1 (c) This exemption does not apply to the following products and services:

108.2 (1) purchases made by a clinic, physician's office, or any other medical facility not  
108.3 operating as a hospital or outpatient surgical center, even though the clinic, office, or  
108.4 facility may be owned and operated by a hospital or outpatient surgical center;

108.5 (2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph  
108.6 (g), clause (2), and prepared food, candy, and soft drinks;

108.7 (3) building and construction materials used in constructing buildings or facilities  
108.8 that will not be used principally by the hospital or outpatient surgical center;

108.9 (4) building, construction, or reconstruction materials purchased by a contractor  
108.10 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
108.11 guaranteed maximum price covering both labor and materials for use in the construction,  
108.12 alteration, or repair of a hospital or outpatient surgical center; or

108.13 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

108.14 (d) A limited liability company also qualifies for exemption under this subdivision if  
108.15 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
108.16 purchased qualify for the exemption.

108.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

108.18 Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

108.19 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following  
108.20 sales by the specified organizations for fund-raising purposes are exempt, subject to the  
108.21 limitations listed in paragraph (b):

108.22 (1) all sales made by an organization that exists solely for the purpose of providing  
108.23 educational or social activities for young people primarily age 18 and under;

108.24 (2) all sales made by an organization that is a senior citizen group or association of  
108.25 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized  
108.26 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)  
108.27 no part of its net earnings inures to the benefit of any private shareholders;

108.28 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if  
108.29 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization  
108.30 under section 501(c)(3) of the Internal Revenue Code; and

108.31 (4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a  
108.32 nonprofit organization that provides educational and social activities primarily for young  
108.33 people age 18 and under.

108.34 (b) The exemptions listed in paragraph (a) are limited in the following manner:



109.1 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross  
109.2 annual receipts of the organization from fund-raising do not exceed \$10,000; and

109.3 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are  
109.4 derived from admission charges or from activities for which the money must be deposited  
109.5 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in  
109.6 the same manner as other revenues or expenditures of the school district under section  
109.7 123B.49, subdivision 4.

109.8 (c) Sales of tangible personal property are exempt if the entire proceeds, less the  
109.9 necessary expenses for obtaining the property, will be contributed to a registered combined  
109.10 charitable organization described in section 309.501, to be used exclusively for charitable,  
109.11 religious, or educational purposes, and the registered combined charitable organization  
109.12 has given its written permission for the sale. Sales that occur over a period of more than  
109.13 24 days per year are not exempt under this paragraph.

109.14 (d) For purposes of this subdivision, a club, association, or other organization of  
109.15 elementary or secondary school students organized for the purpose of carrying on sports,  
109.16 educational, or other extracurricular activities is a separate organization from the school  
109.17 district or school for purposes of applying the \$10,000 limit.

109.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

109.19 Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

109.20 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of  
109.21 tangible personal property at, and admission charges for fund-raising events sponsored  
109.22 by, a nonprofit organization are exempt if:

109.23 (1) all gross receipts are recorded as such, in accordance with generally accepted  
109.24 accounting practices, on the books of the nonprofit organization; and

109.25 (2) the entire proceeds, less the necessary expenses for the event, will be used  
109.26 solely and exclusively for charitable, religious, or educational purposes. Exempt sales  
109.27 include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the  
109.28 fund-raising event.

109.29 (b) This exemption is limited in the following manner:

109.30 (1) it does not apply to admission charges for events involving bingo or other  
109.31 gambling activities or to charges for use of amusement devices involving bingo or other  
109.32 gambling activities;

109.33 (2) all gross receipts are taxable if the profits are not used solely and exclusively for  
109.34 charitable, religious, or educational purposes;

110.1 (3) it does not apply unless the organization keeps a separate accounting record,  
110.2 including receipts and disbursements from each fund-raising event that documents all  
110.3 deductions from gross receipts with receipts and other records;

110.4 (4) it does not apply to any sale made by or in the name of a nonprofit corporation as  
110.5 the active or passive agent of a person that is not a nonprofit corporation;

110.6 (5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

110.7 (6) it does not apply to fund-raising events conducted on premises leased for more  
110.8 than five days but less than 30 days; and

110.9 (7) it does not apply if the risk of the event is not borne by the nonprofit organization  
110.10 and the benefit to the nonprofit organization is less than the total amount of the state and  
110.11 local tax revenues foregone by this exemption.

110.12 (c) For purposes of this subdivision, a "nonprofit organization" means any unit of  
110.13 government, corporation, society, association, foundation, or institution organized and  
110.14 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or  
110.15 veterans' purposes, no part of the net earnings of which inures to the benefit of a private  
110.16 individual.

110.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

110.18 Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

110.19 Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61,  
110.20 subdivision 3, or any other provision of this chapter, the gross receipts from the following  
110.21 sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports  
110.22 Commission to conduct a series of statewide amateur athletic games and related events,  
110.23 workshops, and clinics are exempt:

110.24 (1) sales of tangible personal property to or the storage, use, or other consumption of  
110.25 tangible personal property by the nonprofit corporation; and

110.26 (2) sales of tangible personal property, admission charges, and sales of ~~food,~~  
110.27 ~~meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at  
110.28 fund-raising events, athletic events, or athletic facilities.

110.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

110.30 Sec. 25. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is  
110.31 amended to read:

110.32 Subd. 2. **Content and form of exemption certificate.** An exemption certificate  
110.33 must be substantially in the form prescribed by the commissioner and:

110.34 (1) be signed by the purchaser or meet the requirements of section 270C.304;

110.35 (2) bear the name and address of the purchaser; and

- 111.1 (3) indicate the sales tax account number, if any, issued to the purchaser;
- 111.2 ~~(4) indicate the general character of the property sold by the purchaser in the regular~~
- 3 ~~course of business or the activities carried on by the organization; and~~
- 111.4 ~~(5) identify the property purchased.~~

111.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

111.6 Sec. 26. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is

111.7 amended to read:

111.8 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the

111.9 following exempt items must be imposed and collected as if the sale were taxable and the

111.10 rate under section 297A.62, subdivision 1, applied. The exempt items include:

111.11 (1) capital equipment exempt under section 297A.68, subdivision 5;

111.12 (2) building materials for an agricultural processing facility exempt under section

13 297A.71, subdivision 13;

111.14 (3) building materials for mineral production facilities exempt under section

111.15 297A.71, subdivision 14;

111.16 (4) building materials for correctional facilities under section 297A.71, subdivision

111.17 3;

111.18 (5) building materials used in a residence for disabled veterans exempt under section

111.19 297A.71, subdivision 11;

111.20 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

111.21 (7) building materials for the Long Lake Conservation Center exempt under section

111.22 297A.71, subdivision 17;

13 (8) materials, supplies, fixtures, furnishings, and equipment for a county law

111.24 enforcement and family service center under section 297A.71, subdivision 26;

111.25 (9) materials and supplies for qualified low-income housing under section 297A.71,

111.26 subdivision 23; and

111.27 (10) materials, supplies, and equipment for municipal electric utility facilities under

111.28 section 297A.71, subdivision 35;

111.29 (11) equipment and materials used for the generation, transmission, and distribution

111.30 of electrical energy and an aerial camera package exempt under section 297A.68,

111.31 subdivision 37; and

111.32 (12) tangible personal property and taxable services and construction materials,

111.33 supplies, and equipment exempt under section 297A.68, subdivision 41.

111.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

112.1 Sec. 27. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is  
112.2 amended to read:

112.3 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
112.4 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
112.5 must be paid to the applicant. Only the following persons may apply for the refund:

112.6 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

112.7 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental  
112.8 subdivision;

112.9 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
112.10 provided in United States Code, title 38, chapter 21;

112.11 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
112.12 property;

112.13 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing  
112.14 project; ~~and~~

112.15 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or  
112.16 a joint venture of municipal electric utilities; and

112.17 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

112.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

112.19 Sec. 28. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is  
112.20 amended to read:

112.21 Subd. 3. **Application.** (a) The application must include sufficient information  
112.22 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
112.23 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), ~~or~~ (10),  
112.24 (11), or (12), the contractor, subcontractor, or builder must furnish to the refund applicant  
112.25 a statement including the cost of the exempt items and the taxes paid on the items unless  
112.26 otherwise specifically provided by this subdivision. The provisions of sections 289A.40  
112.27 and 289A.50 apply to refunds under this section.

112.28 (b) An applicant may not file more than two applications per calendar year for  
112.29 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

112.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

112.31 Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1,  
112.32 is amended to read:

112.33 Subdivision 1. **Motor vehicle lease price; payment.** (a) In the case of a lease of a  
112.34 motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the  
112.35 tax is imposed on the total amount to be paid by the lessee under the lease agreement. The  
112.36 lessor shall collect the tax in full at the time the lease is executed or, if the tax is included

113.1 in the lease and the lease is assigned, the tax is due from the original lessor at the time the  
113.2 lease is assigned. The total amount to be paid by the lessee under the lease agreement  
3 equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual  
113.4 value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee  
113.5 taken in trade by the lessor, plus the price of any taxable goods and services included in  
113.6 the lease and the rent charge as provided by Code of Federal Regulations, title 12, section  
113.7 213.4, excluding any rent charge related to the capitalization of the tax.

113.8 (b) If the total amount paid by the lessee for use of the leased vehicle includes  
113.9 amounts that are not calculated at the time the lease is executed, the tax is imposed and  
113.10 must be collected by the lessor at the time the amounts are paid by the lessee. In the case  
113.11 of a lease which by its terms may be renewed, the sales tax is due and payable on the  
113.12 total amount to be paid during the initial term of the lease, and then for each subsequent  
13 renewal period on the total amount to be paid during the renewal period.

113.14 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a  
113.15 vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim  
113.16 for a refund of the total tax paid minus the amount of tax due for the period the vehicle is  
113.17 used by the lessee.

113.18 (d) If a lessee's obligation to make payments on a lease is canceled more than 90  
113.19 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax  
113.20 due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is  
113.21 consummated within 30 days of the date the prior lease was canceled. The amount of the  
113.22 credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2)  
113.23 the ratio of the number of full months remaining in the lease at the time of termination  
1. 24 compared to the term of the lease used in calculating sales tax paid at the inception of the  
113.25 lease. The credit or any part of it cannot be assigned or transferred to another person.

113.26 **EFFECTIVE DATE.** This section is effective for leases entered into after  
113.27 September 30, 2005.

113.28 Sec. 30. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

113.29 Subd. 7. **Exemptions.** (a) All goods or services that are otherwise exempt from  
113.30 taxation under this chapter are exempt from a political subdivision's tax.

113.31 (b) ~~The gross receipts from the sale of tangible personal property that meets the~~  
113.32 ~~requirement of section 297A.68, subdivision 15, are exempt, except the qualification~~  
113.33 ~~test applies based on the boundaries of the political subdivision instead of the state~~  
113.34 ~~of Minnesota.~~

114.1 (e) All mobile transportation equipment, and parts and accessories attached to or  
114.2 to be attached to the equipment are exempt, if purchased by a holder of a motor carrier  
114.3 direct pay permit under section 297A.90.

114.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

114.5 Sec. 31. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective  
114.6 date, is amended to read:

114.7

114.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
114.9 October 28, 2002, but for land clearing contracts entered into after October 28, 2002,  
114.10 but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section  
114.11 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

114.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

114.13 Sec. 32. **REPEALER.**

114.14 (a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

114.15 (b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7,  
114.16 and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

114.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

## 114.18 ARTICLE 8

### 114.19 DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES

114.20 Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is  
114.21 amended to read:

114.22 Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility  
114.23 shall register on or before October 1 of each year with the commissioner of revenue in  
114.24 a manner prescribed by the commissioner of revenue and pay a registration fee for the  
114.25 facility. The amount of the fee is:

114.26 (1) \$500, for facilities with a full-time equivalence of fewer than five;

114.27 (2) \$1,000, for facilities with a full-time equivalence of five to ten; and

114.28 (3) \$1,500, for facilities with a full-time equivalence of more than ten.

114.29 The registration fee must be paid on or before October 18 or the owner or operator  
114.30 of a dry cleaning facility may elect to pay the fee in equal installments. Installment  
114.31 payments must be paid on or before October 18, on or before January 18, on or before  
114.32 April 18, and on or before June 18. All payments made after October 18 bear interest  
114.33 at the rate specified in section 270C.40.

115.1 (b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the  
115.2 state shall collect and remit to the commissioner of revenue in a manner prescribed by the  
3 commissioner of revenue, on or before the 20th day of the month following the month in  
115.4 which the sales of dry cleaning solvents are made, a fee of:

115.5 (1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities  
115.6 in the state;

115.7 (2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use  
115.8 by dry cleaning facilities in the state; and

115.9 (3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry  
115.10 cleaning facilities in the state.

115.11 (c) The audit, assessment, appeal, collection, enforcement, and administrative  
115.12 provisions of chapters 270C and 289A apply to the fee imposed by this subdivision.

13 To enforce this subdivision, the commissioner of revenue may grant extensions to file  
115.14 returns and pay fees, impose penalties and interest on the annual registration fee under  
115.15 paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in  
115.16 the manner provided in chapters 270C and 289A. The penalties and interest imposed on  
115.17 taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure  
115.18 of data collected by the commissioner of revenue under this subdivision is governed by  
115.19 chapter 270B.

115.20 **EFFECTIVE DATE.** This section is effective for returns and payments due on  
115.21 or after October 1, 2006.

115.22 Sec. 2. **[287.222] TRANSFER TO OBTAIN FINANCING.**

3 The deed tax is \$1.65 on a deed or other instrument that transfers real property if  
115.24 the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary,  
115.25 and (3) done solely to enable the builder or contractor to obtain financing to build an  
115.26 improvement on the conveyed property under a contract for improvement with the grantor  
115.27 that calls for the conveyed property to be reconveyed to the grantor upon completion of  
115.28 and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument  
115.29 that transfers the real property back from the builder or contractor to the grantor.

115.30 **EFFECTIVE DATE.** This section is effective for deeds both executed and recorded  
115.31 on or after July 1, 2006.

115.32 Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:

115.33 Subd. 4. **Health care provider.** (a) "Health care provider" means:

116.1 (1) a person whose health care occupation is regulated or required to be regulated by  
116.2 the state of Minnesota furnishing any or all of the following goods or services directly to a  
116.3 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,  
116.4 drugs, laboratory, diagnostic or therapeutic services;

116.5 (2) a person who provides goods and services not listed in clause (1) that qualify for  
116.6 reimbursement under the medical assistance program provided under chapter 256B;

116.7 (3) a staff model health plan company;

116.8 (4) an ambulance service required to be licensed; or

116.9 (5) a person who sells or repairs hearing aids and related equipment or prescription  
116.10 eyewear.

116.11 (b) Health care provider does not include:

116.12 (1) hospitals; medical supplies distributors, except as specified under paragraph  
116.13 (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other  
116.14 jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other  
116.15 providers of transportation services other than ambulance services required to be licensed;  
116.16 supervised living facilities for persons with mental retardation or related conditions,  
116.17 licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes~~  
116.18 ~~licensed under chapter 144B~~; housing with services establishments required to be  
116.19 registered under chapter 144D; board and lodging establishments providing only custodial  
116.20 services that are licensed under chapter 157 and registered under section 157.17 to  
116.21 provide supportive services or health supervision services; adult foster homes as defined  
116.22 in Minnesota Rules, part 9555.5105; day training and habilitation services for adults  
116.23 with mental retardation and related conditions as defined in section 252.41, subdivision  
116.24 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day  
116.25 care centers as defined in Minnesota Rules, part 9555.9600;

116.26 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart  
116.27 15; a person providing personal care services and supervision of personal care services  
116.28 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing  
116.29 services as defined in Minnesota Rules, part 9505.0360; and home care providers required  
116.30 to be licensed under chapter 144A;

116.31 (3) a person who employs health care providers solely for the purpose of providing  
116.32 patient services to its employees; and

116.33 (4) an educational institution that employs health care providers solely for the  
116.34 purpose of providing patient services to its students if the institution does not receive fee  
116.35 for service payments or payments for extended coverage.

116.36 **EFFECTIVE DATE.** This section is effective the day following final enactment.



117.1 Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

117.2 Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or~~ health care  
117.3 provider, or wholesale drug distributor must not state the tax obligation under section  
117.4 295.52 in a deceptive or misleading manner. It must not separately state tax obligations  
117.5 on bills provided to patients, consumers, or other payers when the amount received for  
117.6 the services or goods is not subject to tax.

117.7 Pharmacies that separately state the tax obligations on bills provided to consumers  
117.8 or to other payers who purchase legend drugs may state the tax obligation as the wholesale  
117.9 price of the legend drugs multiplied by the tax percentage specified in section 295.52.

117.10 Pharmacies must not state the tax obligation based on the retail price.

117.11 Whenever the commissioner determines that a person has engaged in any act or  
117.12 practice constituting a violation of this subdivision, the commissioner may bring an action  
117.13 in the name of the state in the district court of the appropriate county to enjoin the act  
117.14 or practice and to enforce compliance with this subdivision, or the commissioner may  
117.15 refer the matter to the attorney general or the county attorney of the appropriate county.  
117.16 Upon a proper showing, a permanent or temporary injunction, restraining order, or other  
117.17 appropriate relief must be granted.

117.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

117.19 Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision  
117.20 to read:

117.21 Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means  
117.22 (1) the average retail price per pack of 20 cigarettes, with the average price weighted by  
117.23 the number of packs sold at each price, (2) reduced by the sales tax included in the retail  
117.24 price, and (3) adjusted for the expected inflation from the time of the survey to the average  
117.25 of the 12 months that the sales tax will be imposed. The commissioner shall make the  
117.26 inflation adjustment in accordance with the Consumer Price Index for all urban consumers  
117.27 inflation indicator as published in the most recent state budget forecast. The inflation  
117.28 factor for the calendar year in which the new tax rate takes effect must be used.

117.29 **EFFECTIVE DATE.** This section is effective April 30, 2006.

117.30 Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

117.31 Subd. 7. **Distilled spirits.** "Distilled spirits" ~~is~~ means:

117.32 (1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of  
117.33 wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and  
117.34 mixtures, for nonindustrial use;

(2) any beverage that would be classified as a flavored malt beverage except that the alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent of the alcohol content of the product; or

(3) any beverage that would be classified as a flavored malt beverage except that the beverage contains more than six percent alcohol by volume, and more than 1.5 percent of the volume of the finished product consists of alcohol derived from flavors and other nonbeverage ingredients that contain alcohol.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision to read:

**Subd. 8a. Flavored malt beverage.** (a) "Flavored malt beverage" means a fermented malt beverage that:

(1) contains six percent or less alcohol by volume and derives at least 51 percent of its alcohol content by volume from the fermentation of grain, as long as not more than 49 percent of the beverage's overall alcohol content is obtained from flavors and other added nonbeverage ingredients containing alcohol; or

(2) contains more than six percent alcohol by volume that derives not more than 1.5 percent of its overall alcohol content by volume from flavors and other added nonbeverage ingredients containing alcohol.

(b) Flavored malt beverage does not include cider or an alcoholic beverage obtained primarily by fermentation of rice, such as sake.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

## ARTICLE 9

### DEPARTMENT OF REVENUE MISCELLANEOUS

Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is amended to read:

**Subd. 4. Electronic means; electronically.** "Electronic means" and "electronically" mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that is prescribed by the commissioner. Electronic means includes the use of a touch-tone telephone to transmit return information in a manner prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

**270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

119.1 For purposes of a law administered by the commissioner, the name of the taxpayer,  
119.2 the name of the taxpayer's authorized agent, or the taxpayer's identification number,  
3 will constitute a signature when transmitted as part of the return information on returns  
119.4 filed by electronic means by the taxpayer or at the taxpayer's direction. ~~"Electronic~~  
119.5 ~~means" includes, but is not limited to, the use of a touch-tone telephone to transmit return~~  
119.6 ~~information in a manner prescribed by the commissioner.~~

119.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

119.8 Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is  
119.9 amended to read:

119.10 Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of  
119.11 assessment in any of the following circumstances:

119.12 (1) the commissioner determines that the correct amount of tax is different than that  
13 assessed on a return filed with the commissioner;

119.14 (2) no return has been filed and the commissioner determines the amount of tax  
119.15 that should have been assessed;

119.16 (3) the commissioner determines that the correct amount of a refundable credit  
119.17 is different than the amount claimed by a taxpayer. For purposes of this subdivision,  
119.18 "refundable credit" means a refund benefit or credit due a person that is unrelated to the  
119.19 person's liability for a tax. "Refundable credit" does not include estimated tax payments  
119.20 or withholding taxes. An assessment for an overpayment of a refundable credit may be  
119.21 collected in the same manner as a tax collected by the commissioner; ~~and~~

119.22 (4) the commissioner determines the correct amount of a tax that the taxpayer is not  
13 required to assess by a return filed with the commissioner; and

119.24 (5) the commissioner determines that a penalty other than a penalty for late payment  
119.25 of tax, late filing of a return, or failure to pay tax by electronic means should be imposed,  
119.26 and the penalty is not included on an order of assessment made under clauses (1) to (4).

119.27 (b) An order of assessment must be in writing.

119.28 (c) An order of assessment must be signed by the commissioner or a delegate, or  
119.29 have their facsimile signature, if the change in tax, excluding penalties and interest,  
119.30 exceeds \$1,000.

119.31 (d) An order of assessment is final when made but, as applicable, is reviewable  
119.32 administratively under section 270C.35, or appealable to Tax Court under chapter 271.

13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

119.34 Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is  
119.35 amended to read:

Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability against a successor business under this section within the time prescribed for collecting the underlying sales and withholding taxes, interest, and penalties. The assessment is presumed to be valid, and the burden is upon the successor to show it is incorrect or invalid. An order assessing successor liability is reviewable administratively under section 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate an assessment if the successor's failure to give the notice required under this section is due to reasonable cause. The procedural and appeal provisions under section 270C.34 apply to abatement requests under this subdivision. Collection remedies available against the transferring business are available against the successor from the date of assessment of successor liability.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is amended to read:

Subdivision 1. **Authority.** If any tax payable to the commissioner or to the department is not paid when due, such tax may be collected by the commissioner 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)~~ or property on which there is a lien provided in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs, properly payable.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a subdivision to read:

Subd. 1a. **Exempt property.** A levy under this section is not enforceable against:

(1) a purchaser with respect to tangible personal property purchased at retail in the ordinary course of the seller's trade or business, unless at the time of purchase the purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat the collection of a tax; or

(2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

121.1 Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

121.2 **271.12 WHEN ORDER EFFECTIVE.**

3 No order for refundment by the commissioner of revenue, the appropriate unit of  
121.4 government, or the Tax Court shall take effect until the time for appeal therefrom or  
121.5 review thereof by all parties entitled thereto has expired. Otherwise every order of the  
121.6 commissioner, the appropriate unit of government, or the Tax Court shall take effect  
121.7 immediately upon the filing thereof, and no appeal therefrom or review thereof shall  
121.8 stay the execution thereof or extend the time for payment of any tax or other obligation  
121.9 unless otherwise expressly provided by law; provided, that in case an order which has  
121.10 been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal,  
121.11 the determination upon appeal or review shall supersede the order appealed from and be  
121.12 binding upon all parties affected thereby, and such adjustments as may be necessary  
121.13 to give effect thereto shall be made accordingly; and provided further, the Tax Court  
121.14 may enjoin enforcement of the order of the commissioner being appealed. If it be finally  
121.15 determined upon such appeal or review that any person is entitled to refundment of any  
121.16 amount which has been paid for a tax or other obligation, such amount, unless otherwise  
121.17 provided by law, shall be paid to the person by the commissioner of finance, or other  
121.18 proper officer, out of funds derived from taxes of the same kind, if available for the  
121.19 purpose, or out of other available funds, if any, with interest at the rate specified in section  
121.20 270C.405 from the date of payment of the tax, unless a different rate or date of accrual  
121.21 of interest is otherwise provided by law, in which case such other rate or date of accrual  
121.22 shall apply, upon certification by the commissioner of revenue, the appropriate unit of  
121.23 government, the Tax Court or the Supreme Court.

4 If, within 120 days after a decision of the Tax Court becomes final, the commissioner  
121.25 does not refund the overpayment determined by the court, together with interest, on  
121.26 motion by the taxpayer, the Tax Court shall have jurisdiction to order the refund of  
121.27 the overpayment and interest, and to award reasonable litigation costs for bringing the  
121.28 motion. If any tax, assessment, or other obligation be increased upon such appeal or  
121.29 review, the increase shall be added to the original amount, and may be enforced and  
121.30 collected therewith.

121.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

121.32 Sec. 8. Minnesota Statutes 2005 Supplement, section 289A.121, subdivision 5, is  
121.33 amended to read:

4 Subd. 5. **Reportable transactions.** (a) For each taxable year in which a taxpayer  
121.35 must make a return or a statement under Code of Federal Regulations, title 26, section  
121.36 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer

122.1 participated in a taxable year for which a return is required under chapter 290, the taxpayer  
122.2 must file a copy of the disclosure with the commissioner.

122.3 (b) Any taxpayer that is a member of a unitary business group that includes any  
122.4 person that must make a disclosure statement under Code of Federal Regulations, title 26,  
122.5 section 1.6011-4, must file a disclosure under this subdivision.

122.6 (c) Disclosure under this subdivision is required for any transaction entered into after  
122.7 December 31, 2001, that the Internal Revenue Service determines is a listed transaction  
122.8 at any time, and must be made in the manner prescribed by the commissioner. For  
122.9 transactions in which the taxpayer participated for taxable years ending before December  
122.10 31, 2005, disclosure must be made by the extended due date of the first return required  
122.11 under chapter 290 that occurs 60 days or more after July 14, 2005. With respect to  
122.12 transactions in which the taxpayer participated for taxable years ending on and after  
122.13 December 31, 2005, disclosure must be made in the time and manner prescribed in Code  
122.14 of Federal Regulations, title 26, section 1.6011-4(e).

122.15 (d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions  
122.16 entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer  
122.17 has filed an amended income tax return which reverses the tax benefits of the tax  
122.18 shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has  
122.19 determined the tax treatment of the transaction and an amended return has been filed  
122.20 to reflect the federal treatment.

122.21 **EFFECTIVE DATE.** This section is effective for disclosures of reportable  
122.22 transactions in which the taxpayer participated for taxable years ending before December  
122.23 31, 2005.

122.24 Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

122.25 Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals  
122.26 is not subject to allocation outside this state. The allocation rules apply to nonresident  
122.27 individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders  
122.28 of corporations treated as "S" corporations under section 290.9725, and all corporations  
122.29 not having such an election in effect. If a partnership or corporation would not otherwise  
122.30 be subject to the allocation rules, but conducts a trade or business that is part of a  
122.31 unitary business involving another legal entity that is subject to the allocation rules, the  
122.32 partnership or corporation is subject to the allocation rules.

122.33 (b) Expenses, losses, and other deductions (referred to collectively in this paragraph  
122.34 as "deductions") must be allocated along with the item or class of gross income to which  
122.35 they are definitely related for purposes of assignment under this section or apportionment

123.1 under section 290.191, 290.20, or 290.36. Deductions ~~not~~ definitely related to any item  
123.2 ~~or class~~ of gross income ~~are~~ assigned under subdivision 2, paragraph (e), are assigned to  
3 the taxpayer's domicile.

123.4 (c) In the case of an individual who is a resident for only part of a taxable year,  
123.5 the individual's income, gains, losses, and deductions from the distributive share of a  
123.6 partnership, S corporation, trust, or estate are not subject to allocation outside this state  
123.7 to the extent of the distributive share multiplied by a ratio, the numerator of which is  
123.8 the number of days the individual was a resident of this state during the tax year of the  
123.9 partnership, S corporation, trust, or estate, and the denominator of which is the number of  
123.10 days in the taxable year of the partnership, S corporation, trust, or estate.

123.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

## 123.12 **ARTICLE 10**

### 123.13 **PUBLIC FINANCE**

123.14 Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to  
123.15 read:

123.16 Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the  
123.17 definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold~~  
123.18 ~~in accordance with section~~ according to sections 475.56 and 475.60.

123.19 Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

123.20 Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to  
123.21 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever  
123.22 is less, if financed or guaranteed by the United States Department of Agriculture, and bear  
123.23 such rate or rates of interest not exceeding eight percent per annum, payable annually or  
123.24 semiannually as the county board shall by resolution determine. The years and amounts  
123.25 of principal maturities shall be such as in the opinion of the county board are warranted  
123.26 by the anticipated collections of the water and sewer improvement assessments without  
123.27 regard to any limitations on such maturities imposed by section 475.54.

123.28 Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

123.29 Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or  
123.30 more may in accordance with chapter 475, except as otherwise provided herein, issue and  
123.31 sell its obligations for the purpose of establishing, locating, relocating, constructing,  
123.32 reconstructing, and improving municipal state-aid streets therein. In the resolution  
123.33 providing for the issuance of the obligations, the governing body of the municipality  
123.34 shall irrevocably pledge and appropriate to the sinking fund from which the obligations  
123.35 are payable, an amount of the moneys allotted or to be allotted to the municipality from

124.1 its account in the municipal state-aid street fund sufficient to pay the principal of and the  
124.2 interest on the obligations as they respectively come due. The obligations shall be issued  
124.3 in amounts and on terms such that the average annual amount of principal and interest due  
124.4 in all subsequent calendar years on the obligations, including any similar obligations of  
124.5 the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of  
124.6 ~~the last annual allotment preceding the bond issue received by the municipality from the~~  
124.7 ~~construction account in the municipal state-aid street fund; except that the municipality~~  
124.8 ~~may issue general obligation bonds for said purpose, to be purchased by it for the account~~  
124.9 ~~of any one or more of its own funds, including debt redemption funds, in which case such~~  
124.10 ~~bonds shall mature in not exceeding five years from their respective dates of issue, in~~  
124.11 ~~principal amounts not exceeding in any calendar year, with the principal amount of all~~  
124.12 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~  
124.13 last annual allotment preceding the bond issue received by the municipality from the  
124.14 construction account in the municipal state-aid street fund. All interest on the obligations  
124.15 shall be paid out of the municipality's normal maintenance account in the municipal  
124.16 state-aid street fund. Any such obligations may be made general obligations, but if  
124.17 moneys of the municipality other than moneys received from the municipal state-aid street  
124.18 fund, are used for payment of the obligations, the moneys so used shall be restored to the  
124.19 appropriate fund from the moneys next received by the municipality from the construction  
124.20 or maintenance account in the municipal state-aid street fund which are not required to be  
124.21 paid into a sinking fund for obligations.

124.22 Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

124.23 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any  
124.24 county may, in accordance with chapter 475, issue and sell its obligations, the total  
124.25 amount thereof not to exceed the total of the preceding two years state-aid allotments,  
124.26 for the purpose of establishing, locating, relocating, constructing, reconstructing, and  
124.27 improving county state-aid highways and constructing buildings and other facilities for  
124.28 maintaining county state-aid highways. In the resolution providing for the issuance of the  
124.29 obligations, the county board of the county shall irrevocably pledge and appropriate to the  
124.30 sinking fund from which the obligations are payable, an amount of the money allotted  
124.31 or to be allotted to the county from its account in the county state-aid highway fund  
124.32 sufficient to pay the principal of and the interest on the obligations as they respectively  
124.33 come due. The obligations shall be issued in the amounts and on terms such that the  
124.34 amount of principal and interest due in any calendar year on the obligations, including  
124.35 any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90  
124.36 percent of the amount of the last annual allotment preceding the bond issue received



125.1 by the county from the construction account in the county state-aid highway fund. All  
125.2 interest on the obligations shall be paid out of the county's normal maintenance account  
125.3 in the county state-aid highway fund. The obligations may be made general obligations,  
125.4 but if money of the county other than money received from the county state-aid highway  
125.5 fund, is used for payment of the obligations, the money so used shall be restored to the  
125.6 appropriate fund from the money next received by the county from the construction or  
125.7 maintenance account in the county state-aid highway fund which is not required to be  
125.8 paid into a sinking fund for obligations.

125.9 Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

125.10 **273.032 MARKET VALUE DEFINITION.**

125.11 For the purpose of determining any property tax levy limitation based on market  
125.12 value, ~~any net debt limit based on market value, any limit on the issuance of bonds,~~  
125.13 ~~certificates of indebtedness, or capital notes based on market value, any qualification~~  
125.14 ~~to receive state aid based on market value, or any state aid amount based on market~~  
125.15 ~~value, the terms "market value," "taxable market value," and "market valuation," whether~~  
125.16 ~~equalized or unequalized, mean the total taxable market value of property within the local~~  
125.17 ~~unit of government before any adjustments for tax increment, fiscal disparity, powerline~~  
125.18 ~~credit, or wind energy values, but after the limited market adjustments under section~~  
125.19 ~~273.11, subdivision 1a, and after the market value exclusions of certain improvements to~~  
125.20 ~~homestead property under section 273.11, subdivision 16. Unless otherwise provided,~~  
125.21 ~~"market value," "taxable market value," and "market valuation" for purposes of this~~  
125.22 ~~paragraph, refer to the taxable market value for the previous assessment year.~~

125.23 For the purpose of determining any net debt limit based on market value, or any limit  
125.24 on the issuance of bonds, certificates of indebtedness, or capital notes based on market  
125.25 value, the terms "market value," "taxable market value," and "market valuation," whether  
125.26 equalized or unequalized, mean the total taxable market value of property within the local  
125.27 unit of government before any adjustments for tax increment, fiscal disparity, powerline  
125.28 credit, or wind energy values, but after the limited market adjustments under section  
125.29 273.11, subdivision 1a, and after the market value exclusions of certain improvements to  
125.30 homestead property under section 273.11, subdivision 16. Unless otherwise provided,  
125.31 "market value," "taxable market value," "market valuation" for purposes of this paragraph,  
125.32 mean the taxable market value as last finally equalized.

125.33 Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

125.34 **365A.08 FINANCING.**

125.35 Upon adoption of the next annual budget following the creation of a subordinate  
125.36 service district the town board shall include in the budget appropriate provisions for the

126.1 operation of the district including either a property tax levied only on property of the users  
126.2 of the service within the boundaries of the district or a levy of a service charge against the  
126.3 users of the service within the district, or a combination of a property tax and a service  
126.4 charge on the users of the service.

126.5 A tax or service charge or a combination of them may be imposed to finance a  
126.6 function or service in the district that the town ordinarily provides throughout the town  
126.7 only to the extent that there is an increase in the level of the function or service provided  
126.8 in the service district over that provided throughout the town. In that case, in addition  
126.9 to the townwide tax levy, an amount necessary to pay for the increase in the level of the  
126.10 function or service may be imposed in the district.

126.11 In the proceedings for establishment of a subordinate service district, the town may  
126.12 prepare a street reconstruction plan that describes the streets within the district to be  
126.13 reconstructed, the estimated costs, and any planned reconstruction of streets within the  
126.14 district over the next five years and may include the approval of the street reconstruction  
126.15 plan and the issuance of obligations for street reconstruction in the notice of public hearing  
126.16 for the public hearing required by section 365A.04, subdivision 2. The town board shall  
126.17 approve or disapprove the plan and the issuance of obligations in the resolution adopted  
126.18 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction  
126.19 obligations shall be subject to the provisions for reverse referendum contained in section  
126.20 365A.06. Following the creation of the subordinate service district and approval of the  
126.21 plan and the street reconstruction obligations and compliance with section 365A.06, the  
126.22 town may, without regard to the election requirement under section 475.58, subdivision 1,  
126.23 issue and sell general obligations for street reconstruction as defined in section 475.58,  
126.24 subdivision 3b. Obligations issued under this section are subject to the debt limit of the  
126.25 town and are not excluded from net debt under section 475.51, subdivision 4.

126.26 Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

126.27 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

126.28 Except when obligations are outstanding under section 365A.08, a petition signed by  
126.29 at least 75 percent of the property owners in the territory of the subordinate service district  
126.30 requesting the removal of the district may be presented to the town board. Within 30 days  
126.31 after the town board receives the petition, the town clerk shall determine the validity of the  
126.32 signatures on the petition. If the requisite number of signatures are certified as valid, the  
126.33 town board must hold a public hearing on the petitioned matter. Within 30 days after the  
126.34 end of the hearing, the town board must decide whether to discontinue the subordinate  
126.35 service district, continue as it is, or take some other action with respect to it.

126.36 Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

127.1 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have  
127.2 the meanings given.

127.3 (b) "Authority" means the Minnesota Public Facilities Authority.

127.4 (c) "Commissioner" means the commissioner of finance.

127.5 (d) "Debt obligation" means a general obligation bond issued by a county, a bond to  
127.6 which the general obligation of a county is pledged under section 469.034, subdivision 2,  
127.7 or a bond payable from a county lease obligation under section 641.24, to provide funds  
127.8 for the construction of:

127.9 (1) jails;

127.10 (2) correctional facilities;

127.11 (3) law enforcement facilities;

127.12 (4) social services and human services facilities; ~~or~~

127.13 (5) solid waste facilities; or

127.14 (6) qualified housing development projects as defined in section 469.034, subdivision  
127.15 2.

127.16 Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

127.17 **469.035 MANNER OF BOND ISSUANCE; SALE.**

127.18 Bonds of an authority shall be authorized by its resolution. They may be issued in  
127.19 one or more series and shall bear the date or dates, mature at the time or times, bear interest  
127.20 at the rate or rates, be in the denomination or denominations, be in the form either coupon  
127.21 or registered, carry the conversion or registration privileges, have the rank or priority, be  
127.22 executed in the manner, be payable in the medium of payment at the place or places, and  
127.23 be subject to the terms of redemption with or without premium, as the resolution, its trust  
127.24 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~  
127.25 ~~less than par~~ in the manner and for the price that the authority determines to be in the best  
127.26 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections  
127.27 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving  
127.28 the validity or enforceability of any bonds of an authority or the security for the bonds,  
127.29 any bond reciting in substance that it has been issued by the authority to aid in financing a  
127.30 project shall be conclusively deemed to have been issued for that purpose, and the project  
127.31 shall be conclusively deemed to have been planned, located, and carried out in accordance  
127.32 with the purposes and provisions of sections 469.001 to 469.047.

127.33 In cities of the first class, the governing body of the city must approve all notes  
127.34 executed with the Minnesota Housing Finance Agency pursuant to this section if the  
127.35 interest rate on the note exceeds seven percent.

127.36 Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

128.1 Subd. 2. **Form.** The bonds of each series issued by the authority under this section  
128.2 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years  
128.3 from the date of issuance, and shall be in the form, whether payable to bearer, registrable  
128.4 as to principal, or fully registrable, as determined by the authority. Section 469.102,  
128.5 subdivision 6, applies to all bonds issued under this section, and the bonds and their  
128.6 coupons, if any, when payable to bearer, shall be negotiable instruments.

128.7 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is  
128.8 amended to read:

128.9 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan  
128.10 money to finance expenditures under section 469.176, subdivision 4, from its general  
128.11 fund or any other fund under which it has legal authority to do so. The loan or advance  
128.12 must be authorized, by resolution of the governing body or of the authority, whichever  
128.13 has jurisdiction over the fund from which the advance or loan is made, before money  
128.14 is transferred, advanced, or spent, whichever is earliest. The resolution may generally  
128.15 grant to the authority the power to make interfund loans under one or more tax increment  
128.16 financing plans or for one or more districts. The terms and conditions for repayment of  
128.17 the loan must be provided in writing and include, at a minimum, the principal amount,  
128.18 the interest rate, and maximum term. The maximum rate of interest permitted to be  
128.19 charged is limited to the greater of the rates specified under section 270C.40 or 549.09  
128.20 as of the date or advance is made, unless the written agreement states that the maximum  
128.21 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09  
128.22 are from time to time adjusted.

128.23 Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision  
128.24 to read:

128.25 Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in  
128.26 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of  
128.27 indebtedness, bonds, or other obligations under this section in an amount not exceeding  
128.28 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master  
128.29 plan and transit capital improvement program and for related costs, including the costs of  
128.30 issuance and sale of the obligations.

128.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

128.32 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

128.33 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

128.34 The Minnesota Higher Education Services Office is exempt from the 120-day  
128.35 issuance requirements in this chapter and may carry forward allocations for student loan

129.1 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice  
129.2 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~  
129.3 ~~is limited to \$25,000,000.~~

129.4 **EFFECTIVE DATE.** This section is effective for bond allocations made in 2006  
129.5 and thereafter.

129.6 Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is  
129.7 amended to read:

129.8 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this  
129.9 section if the maximum amount of principal and interest to become due in any year on  
129.10 all the outstanding bonds issued under this section, including the bonds to be issued,  
129.11 will equal or exceed (1) 0.16 percent of the taxable market value of property in the  
129.12 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be  
129.13 made using the taxable market value for the taxes payable year in which the obligations  
129.14 are issued and sold. In the case of a municipality with a population of 2,500 or more, the  
129.15 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility  
129.16 in which more than one municipality participates, upon compliance by each participating  
129.17 municipality with the requirements of subdivision 2, the limitations in this subdivision and  
129.18 the net debt represented by the bonds shall be allocated to each participating municipality  
129.19 in proportion to its required financial contribution to the financing of the shared facility, as  
129.20 set forth in the joint powers agreement relating to the shared facility. This section does not  
129.21 limit the authority to issue bonds under any other special or general law.

129.22 Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to  
129.23 read:

129.24 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of  
129.25 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range  
129.26 resources and rehabilitation ~~may~~ shall issue revenue bonds in a principal amount of  
129.27 \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series,  
129.28 and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be  
129.29 used to pay costs of issuance and to make grants to school districts located in the taconite  
129.30 tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance  
129.31 area defined in Minnesota Statutes, section 273.1341, to be used by the school districts  
129.32 to pay for health, safety, and maintenance improvements ~~but only if the school district~~  
129.33 ~~has levied the maximum amount allowable under law for those purposes.~~ The amounts of  
129.34 proceeds to be distributed to each district are as follows:

129.35 (1) Independent School District No. 511, Aitkin, \$600,000;

129.36 (2) Independent School District No. 695, Chisholm, \$700,000;

- 130.1 (3) Independent School District No. 166, Cook County, \$600,000;  
130.2 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;  
130.3 (5) Independent School District No. 696, Ely, \$600,000;  
130.4 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;  
130.5 (7) Independent School District No. 318, Grand Rapids, \$600,000;  
130.6 (8) Independent School District No. 316, Greenway, \$1,100,000;  
130.7 (9) Independent School District No. 701, Hibbing, \$2,100,000;  
130.8 (10) Independent School District No. 381, Lake Superior, \$600,000;  
130.9 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;  
130.10 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;  
130.11 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;  
130.12 (14) Independent School District No. 2142, St. Louis County, \$600,000; and  
130.13 (15) Independent School District No. 706, Virginia, \$900,000.  
130.14

130.15 **Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.**

130.16 The Carver County Housing and Redevelopment Authority created under Laws,  
130.17 1980, chapter 482, is renamed the Carver County Community Development Agency.

130.18 **Sec. 17. CITY OF WINSTED; BONDING AUTHORITY.**

130.19 (a) The city of Winsted may issue general obligation bonds under Minnesota  
130.20 Statutes, chapter 475, to finance the acquisition and betterment of a public works facility  
130.21 and a facility consisting of a city hall, community center and police station, including  
130.22 landscaping.

130.23 (b) The bonds may be issued as general obligations of the city without an election to  
130.24 approve the bonds under Minnesota Statutes, section 475.58.

130.25 (c) The bonds are not included in computing any debt limitation applicable to the  
130.26 city, including the net debt limits under Minnesota Statutes, section 475.53, and the levy  
130.27 of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the  
130.28 bonds is not subject to any levy limitation.

130.29 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and  
130.30 betterment of the public works facility and the facility consisting of a city hall, community  
130.31 center and police station, including landscaping, may not exceed \$5,000,000, plus an  
130.32 amount equal to the costs related to issuance of the bonds and capitalized interest.

130.33 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
130.34 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

131.1      Sec. 18. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY**  
131.2 **PRIORITY.**

3           Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph  
131.4 (b), prior to October 1, 2006, only the following applications shall be awarded allocations  
131.5 from the unified pool. Allocations shall be awarded in the following order of priority:

131.6           (1) applications for student loan bonds issued by or on behalf of the Office of  
131.7 Higher Education;

131.8           (2) applications for residential rental project bonds;

131.9           (3) applications for small issue bonds for manufacturing projects; and

131.10          (4) applications for small issue bonds for agricultural development bond loan  
131.11 projects.

131.12          **EFFECTIVE DATE.** This section is effective July 1, 2006.

13      Sec. 19. **UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

131.14          Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph  
131.15 (c), on the first Monday in October, 2006, through the last Monday in November, 2006,  
131.16 allocations shall be awarded from the unified pool in the following order of priority:

131.17          (1) applications for mortgage bonds;

131.18          (2) applications for public facility projects funded by public facility bonds;

131.19          (3) applications for small issue bonds for manufacturing projects;

131.20          (4) applications for small issue bonds for agricultural development bond loan  
131.21 projects;

131.22          (5) applications for residential rental project bonds;

23          (6) applications for enterprise zone facility bonds;

131.24          (7) applications for governmental bonds; and

131.25          (8) applications for redevelopment bonds.

131.26          **EFFECTIVE DATE.** This section is effective July 1, 2006.

131.27      Sec. 20. **UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**  
131.28 **ALLOCATION.**

131.29          Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),  
131.30 the total amount of allocations for student loan bonds from the unified pool in calendar  
131.31 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the  
131.32 last Monday in July, 2006.

33          **EFFECTIVE DATE.** This section is effective July 1, 2006.

131.34      Sec. 21. **CITY OF PENNOCK; ACQUIRE REAL ESTATE, EXPEND CITY**  
131.35 **FUNDS, AND CONVEY TO PRIVATE ENTITY.**

132.1 Subdivision 1. Authorization. The city of Pennock may purchase a parcel of real  
132.2 estate in the city consisting of four city lots and an appurtenant building formerly operated  
132.3 as a convenience store known as Phil's Corner on the terms and conditions that may be  
132.4 agreed upon between the city and the current owner of the parcel, and the city may expend  
132.5 city funds to make necessary improvements to the building. Once acquired and improved  
132.6 and in order to ensure the continued economic vitality of the city, the city may convey  
132.7 the parcel and building by sale or lease to a private person, firm, partnership, corporation  
132.8 or other entity for a nominal consideration or on whatever terms and conditions the  
132.9 city and the private entity may agree upon in order for the building to be operated as a  
132.10 commercial establishment.

132.11 Subd. 2. **Bonds.** The city of Pennock may issue general obligation bonds of the  
132.12 city in the aggregate principal amount not to exceed \$250,000 to finance the project  
132.13 authorized by subdivision 1. The bonds must be issued in compliance with Minnesota  
132.14 Statutes, chapter 475, except that a referendum under Minnesota Statutes, section 475.58,  
132.15 is not required. The debt represented by the bonds is not included in computing any debt  
132.16 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
132.17 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
132.18 limitation otherwise applicable to the city.

132.19 **EFFECTIVE DATE.** Under Minnesota Statutes 2004, section 645.023, subdivision  
132.20 1, paragraph (a), this section is effective without local approval on the day following  
132.21 final enactment.

132.22      **Sec. 22. APPLICATION.**

132.23 Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,  
132.24 Scott, and Washington.

132.25 **ARTICLE 11**  
132.26 **LOCAL DEVELOPMENT**

132.27 Section 1. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to  
132.28 read:

132.29 Subd. 4. **Expiration.** The authority to impose the tax under this section expires

132.30 January 1, ~~2008~~ 2013.

132.31 Sec. 2. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

132.32 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
132.33 January 1, ~~2008~~ 2013.

132.34      **Sec. 3. [383C.558] ST. LOUIS COUNTY DEED AND MORTGAGE TAX.**



133.1 Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis  
133.2 County may impose a mortgage registry and deed tax.

3 (b) The rate of the mortgage registry tax equals .0001 of the principal.

133.4 (c) The rate of the deed tax equals .0001 of the amount.

133.5 Subd. 2. **General law provisions apply.** The taxes under this section apply to  
133.6 the same base and must be imposed, collected, administered, and enforced in the same  
133.7 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
133.8 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in  
133.9 subdivision 1, the term "St. Louis County" must be substituted for "the state," and the  
133.10 revenue must be deposited as provided in subdivision 3.

133.11 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the  
133.12 St. Louis County Board of Commissioners and must be deposited in the county's  
13 environmental response fund under section 383C.559.

133.14 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
133.15 January 1, 2013.

133.16 Sec. 4. **[383C.559] ST. LOUIS COUNTY ENVIRONMENTAL RESPONSE**  
133.17 **FUND.**

133.18 Subdivision 1. **Creation.** An environmental response fund is created for the  
133.19 purposes specified in this section. The taxes imposed by section 383C.558 must be  
133.20 deposited in the fund. The board of county commissioners shall administer the fund either  
133.21 as a county board, a housing and redevelopment authority, or a regional rail authority.

133.22 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
133.23 following purposes:

133.24 (1) acquisition through purchase or condemnation of lands or property which are  
133.25 polluted or contaminated with hazardous substances;

133.26 (2) paying the costs associated with indemnifying or holding harmless the  
133.27 entity taking title to lands or property from any liability arising out of the ownership,  
133.28 remediation, or use of the land or property;

133.29 (3) paying for the costs of remediating the acquired land or property;

133.30 (4) paying the costs associated with remediating lands or property which are polluted  
133.31 or contaminated with hazardous substances; or

133.32 (5) paying for the costs associated with improving the property for economic  
133.33 development, recreational, housing, transportation or rail traffic.

133.34 Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
133.35 seek matching funds from contamination cleanup funds administered by the commissioner

134.1 of the Department of Employment and Economic Development, the federal government,  
134.2 the private sector, and any other source.

134.3 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
134.4 section 383C.558 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

134.5 Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
134.6 at fair market value. Proceeds from the sale of the land must be deposited in the  
134.7 environmental response fund.

134.8 Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with  
134.9 the county and any affected municipality by providing technical assistance and support in  
134.10 cleaning up a contaminated site related to a trunk highway or railroad improvement.

134.11 **Sec. 5. [383D.75] COUNTY DEED AND MORTGAGE TAX.**

134.12 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota  
134.13 County may impose a mortgage registry and deed tax.

134.14 (b) The rate of the mortgage registry tax equals .0001 of the principal.

134.15 (c) The rate of the deed tax equals .0001 of the amount.

134.16 Subd. 2. **General law provisions apply.** The taxes under this section apply to  
134.17 the same base and must be imposed, collected, administered, and enforced in the same  
134.18 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
134.19 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in  
134.20 subdivision 1, the term "Dakota County" must be substituted for "the state," and the  
134.21 revenue must be deposited as provided in subdivision 3.

134.22 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of  
134.23 the Dakota County Board of Commissioners and must be deposited in the county's  
134.24 environmental response fund under section 383D.76.

134.25 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
134.26 January 1, 2013.

134.27 **Sec. 6. [383D.76] ENVIRONMENTAL RESPONSE FUND.**

134.28 Subdivision 1. **Creation.** An environmental response fund is created for the purposes  
134.29 specified in this section. The taxes imposed by section 383D.75 must be deposited in the  
134.30 fund. The Board of County Commissioners shall administer the fund either as a county  
134.31 board, a housing and redevelopment authority, or a regional rail authority.

134.32 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
134.33 following purposes:

134.34 (1) acquisition through purchase or condemnation of lands or property which are  
134.35 polluted or contaminated with hazardous substances;

135.1 (2) paying the costs associated with indemnifying or holding harmless the  
135.2 entity taking title to lands or property from any liability arising out of the ownership,  
3 remediation, or use of the land or property;

135.4 (3) paying for the costs of remediating the acquired land or property;

135.5 (4) paying the costs associated with remediating lands or property which are polluted  
135.6 or contaminated with hazardous substances; or

135.7 (5) paying for the costs associated with improving the property for economic  
135.8 development, recreational, housing, transportation or rail traffic.

135.9 Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
135.10 seek matching funds from contamination cleanup funds administered by the commissioner  
135.11 of the Department of Employment and Economic Development, the Metropolitan Council,  
135.12 the federal government, the private sector, and any other source.

13 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
135.14 section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

135.15 Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
135.16 at fair market value. Proceeds from the sale of the land must be deposited in the  
135.17 environmental response fund.

135.18 Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with  
135.19 the county and any affected municipality by providing technical assistance and support in  
135.20 cleaning up a contaminated site related to a trunk highway or railroad improvement.

135.21 Sec. 7. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 2, is  
135.22 amended to read:

135.23 Subd. 2. **Consultations; comment and filing.** (a) Before formation of a tax  
135.24 increment financing district, the authority shall provide the county auditor and clerk of  
135.25 the school board with the proposed tax increment financing plan for the district and the  
135.26 authority's estimate of the fiscal and economic implications of the proposed tax increment  
135.27 financing district. The authority must provide the proposed tax increment financing plan  
135.28 and the information on the fiscal and economic implications of the plan to the county  
135.29 auditor and the clerk of the school district board at least 30 days before the public hearing  
135.30 required by subdivision 3. The information on the fiscal and economic implications may  
135.31 be included in or as part of the tax increment financing plan. The county auditor and  
135.32 clerk of the school board shall provide copies to the members of the boards, as directed  
135.33 by their respective boards. The 30-day requirement is waived if the boards of the county  
135.34 and school district submit written comments on the proposal and any modification of the  
135.35 proposal to the authority after receipt of the information.

(b) For purposes of this subdivision, "fiscal and economic implications of the proposed tax increment financing district" includes:

(1) an estimate of the total amount of tax increment that will be generated over the life of the district;

(2) a description of the probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and ~~borrowing costs~~ the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes;

(3) the estimated amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same;

(4) the estimated amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same; and

(5) ~~any~~ additional information regarding the size, timing, or type of development in the district requested by the county or the school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district. If a county or school district has not adopted standard questions in a written policy on information requested for fiscal and economic implications, a county or school district must request additional information no later than 15 days after receipt of the tax increment financing plan and the request does not require an additional 30 days of notice before the public hearing.

**EFFECTIVE DATE.** This section is effective for proposed tax increment financing plans provided after June 30, 2006.

Sec. 8. Minnesota Statutes 2004, section 469.175, subdivision 4, is amended to read:

**Subd. 4. Modification of plan.** (a) A tax increment financing plan may be modified by an authority.

(b) The authority may make the following modifications only upon the notice and after the discussion, public hearing, and findings required for approval of the original plan:

(1) any reduction or enlargement of geographic area of the project or tax increment financing district that does not meet the requirements of paragraph (e);

(2) increase in amount of bonded indebtedness to be incurred;

(3) a determination to capitalize interest on the debt if that determination was not a part of the original plan, ~~or to increase or decrease the amount of interest on the debt to be capitalized;~~

137.1 (4) increase in the portion of the captured net tax capacity to be retained by the  
137.2 authority;

137.3 (5) increase in the estimate of the cost of the project, including administrative  
137.4 expenses, that will be paid or financed with tax increment from the district; or

137.5 (6) designation of additional property to be acquired by the authority.

137.6 (c) If an authority changes the type of district to another type of district, this change  
137.7 is not a modification but requires the authority to follow the procedure set forth in sections  
137.8 469.174 to 469.179 for adoption of a new plan, including certification of the net tax  
137.9 capacity of the district by the county auditor.

137.10 (d) If a redevelopment district or a renewal and renovation district is enlarged,  
137.11 the reasons and supporting facts for the determination that the addition to the district  
137.12 meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2),  
137.13 or subdivision 10a, must be documented.

137.14 (e) The requirements of paragraph (b) do not apply if (1) the only modification is  
137.15 elimination of parcels from the project or district and (2)(A) the current net tax capacity  
137.16 of the parcels eliminated from the district equals or exceeds the net tax capacity of  
137.17 those parcels in the district's original net tax capacity or (B) the authority agrees that,  
137.18 notwithstanding section 469.177, subdivision 1, the original net tax capacity will be  
137.19 reduced by no more than the current net tax capacity of the parcels eliminated from the  
137.20 district. The authority must notify the county auditor of any modification that reduces or  
137.21 enlarges the geographic area of a district or a project area.

137.22 (f) The geographic area of a tax increment financing district may be reduced, but  
137.23 shall not be enlarged after five years following the date of certification of the original net  
137.24 tax capacity by the county auditor or after August 1, 1984, for tax increment financing  
137.25 districts authorized prior to August 1, 1979.

137.26 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
137.27 the request for certification was made, and applies to plan amendments adopted after the  
137.28 day following final enactment.

137.29 Sec. 9. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 5, is  
137.30 amended to read:

137.31 Subd. 5. **Annual disclosure.** An annual statement showing for each district the  
137.32 information required to be reported under subdivision 6, paragraph (c), clauses (1), (2),  
137.33 (3), (11), (12), (18), and (19); the amounts of tax increment received and expended in the  
137.34 reporting period; and any additional information the authority deems necessary must be  
137.35 published in a newspaper of general circulation in the municipality that approved the  
137.36 tax increment financing plan. The annual statement must inform readers that additional

138.1 information regarding each district may be obtained from the authority, and must explain  
138.2 how the additional information may be requested. The authority must publish the annual  
138.3 statement for a year no later than August 15 of the next year. The authority must identify  
138.4 the newspaper of general circulation in the municipality to which the annual statement has  
138.5 been or will be submitted for publication and provide a copy of the annual statement to the  
138.6 county board, the county auditor, ~~the school board~~, the state auditor, and, if the authority is  
138.7 other than the municipality, the governing body of the municipality on or before August  
138.8 1 of the year in which the statement must be published.

138.9 The disclosure requirements imposed by this subdivision apply to districts certified  
138.10 before, on, or after August 1, 1979.

138.11 **EFFECTIVE DATE.** This section is effective for disclosures required to be  
138.12 provided after June 30, 2006.

138.13 Sec. 10. Minnesota Statutes 2004, section 469.176, subdivision 1, is amended to read:

138.14 Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the  
138.15 limitations contained in subdivisions 1a to 1f, any tax increment financing district as to  
138.16 which bonds are outstanding, payment for which the tax increment and other revenues  
138.17 have been pledged, shall remain in existence at least as long as the bonds continue to be  
138.18 outstanding. The municipality may, at the time of approval of the initial tax increment  
138.19 financing plan, provide for a shorter maximum duration limit than specified in subdivisions  
138.20 1a to 1f. The specified limit applies in place of the otherwise applicable limit, unless the  
138.21 authority modifies the plan following the procedures under section 469.175, subdivision 4,  
138.22 paragraph (b).

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

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

138.31 **EFFECTIVE DATE.** This section is effective for all districts, regardless of when  
138.32 the request for certification was made, and applies to plan amendments adopted after the  
138.33 day following final enactment.

138.34 Sec. 11. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

139.1 Subd. 3. **Limitation on administrative expenses.** (a) For districts for which  
139.2 certification was requested before August 1, 1979, or after June 30, 1982 and before  
139.3 August 1, 2001, no tax increment shall be used to pay any administrative expenses for  
139.4 a project which exceed ten percent of the total estimated tax increment expenditures  
139.5 authorized by the tax increment financing plan or the total tax increment expenditures  
139.6 for the project, whichever is less.

139.7 (b) For districts for which certification was requested after July 31, 1979, and before  
139.8 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in  
139.9 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the  
139.10 total tax increment expenditures authorized by the tax increment financing plan or the total  
139.11 estimated tax increment expenditures for the district, whichever is less.

139.12 (c) For districts for which certification was requested after July 31, 2001, no tax  
139.13 increment may be used to pay any administrative expenses for a project which exceed  
139.14 ten percent of total estimated tax increment expenditures authorized by the tax increment  
139.15 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,  
139.16 clause (1), from the district, whichever is less.

139.17 (d) No administrative expenses or consulting costs incurred before certification of a  
139.18 district may be paid from tax increments.

139.19 Sec. 12. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2,  
139.20 is amended to read:

139.21 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing  
139.22 district, an amount equal to at least 75 percent of the total revenue derived from tax  
139.23 increments paid by properties in the district must be expended on activities in the district  
139.24 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities  
139.25 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.  
139.26 For districts, other than redevelopment districts for which the request for certification  
139.27 was made after June 30, 1995, the in-district percentage for purposes of the preceding  
139.28 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax  
139.29 increments paid by properties in the district may be expended, through a development fund  
139.30 or otherwise, on activities outside of the district but within the defined geographic area of  
139.31 the project except to pay, or secure payment of, debt service on credit enhanced bonds.  
139.32 For districts, other than redevelopment districts for which the request for certification was  
139.33 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is  
139.34 20 percent. The revenue derived from tax increments for the district that are expended on  
139.35 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before  
139.36 calculating the percentages that must be expended within and without the district.

140.1 (b) In the case of a housing district, a housing project, as defined in section 469.174,  
140.2 subdivision 11, is an activity in the district.

140.3 (c) All administrative expenses are for activities outside of the district, except that  
140.4 if the only expenses for activities outside of the district under this subdivision are for  
140.5 the purposes described in paragraph (d), administrative expenses will be considered as  
140.6 expenditures for activities in the district.

140.7 (d) The authority may elect, in the tax increment financing plan for the district,  
140.8 to increase by up to ten percentage points the permitted amount of expenditures for  
140.9 activities located outside the geographic area of the district under paragraph (a). As  
140.10 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted  
140.11 expenditures under paragraph (a), need not be made within the geographic area of the  
140.12 project. Expenditures that meet the requirements of this paragraph are legally permitted  
140.13 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.  
140.14 To qualify for the increase under this paragraph, the expenditures must:

140.15 (1) be used exclusively to assist housing that meets the requirement for a qualified  
140.16 low-income building, as that term is used in section 42 of the Internal Revenue Code;

140.17 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of  
140.18 the Internal Revenue Code, less the amount of any credit allowed under section 42 of  
140.19 the Internal Revenue Code; and

140.20 (3) be used to:

140.21 (i) acquire and prepare the site of the housing;

140.22 (ii) acquire, construct, or rehabilitate the housing; or

140.23 (iii) make public improvements directly related to the housing.

140.24 (e) For a district created within a biotechnology and health sciences industry zone  
140.25 as defined in section 469.330, subdivision 6, or for an existing district located within  
140.26 such a zone, tax increment derived from such a district may be expended outside of  
140.27 the district but within the zone only for expenditures required for the construction of  
140.28 public infrastructure necessary to support the activities of the zone. Public infrastructure  
140.29 expenditures are considered as expenditures for activities within the district.

140.30 Sec. 13. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

140.31 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered  
140.32 to have been expended on an activity within the district under subdivision 2 only if one  
140.33 of the following occurs:

140.34 (1) before or within five years after certification of the district, the revenues are  
140.35 actually paid to a third party with respect to the activity;



141.1 (2) bonds, the proceeds of which must be used to finance the activity, are issued and  
141.2 sold to a third party before or within five years after certification, the revenues are spent  
141.3 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,  
141.4 reasonably expected to be spent before the end of the later of (i) the five-year period, or  
141.5 (ii) a reasonable temporary period within the meaning of the use of that term under section  
141.6 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve  
141.7 or replacement fund;

141.8 (3) binding contracts with a third party are entered into for performance of the  
141.9 activity before or within five years after certification of the district and the revenues are  
141.10 spent under the contractual obligation;

141.11 (4) costs with respect to the activity are paid before or within five years after  
141.12 certification of the district and the revenues are spent to reimburse a party for payment  
141.13 of the costs, including interest on unreimbursed costs; or

141.14 (5) expenditures are made for housing purposes as permitted by subdivision 2,  
141.15 ~~paragraph~~ paragraphs (b) and (d), or for public infrastructure purposes within a zone as  
141.16 permitted by subdivision 2, paragraph (e).

141.17 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if  
141.18 the original refunded bonds meet the requirements of paragraph (a), clause (2).

141.19 Sec. 14. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

141.20 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the  
141.21 sixth year following certification of the district, if the applicable in-district percent of the  
141.22 revenues derived from tax increments paid by properties in the district exceeds the amount  
141.23 of expenditures that have been made for costs permitted under subdivision 3, an amount  
141.24 equal to the difference between the in-district percent of the revenues derived from tax  
141.25 increments paid by properties in the district and the amount of expenditures that have  
141.26 been made for costs permitted under subdivision 3 must be used and only used to pay or  
141.27 defease the following or be set aside to pay the following:

141.28 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

141.29 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~

141.30 (3) credit enhanced bonds to which the revenues derived from tax increments are  
141.31 pledged, but only to the extent that revenues of the district for which the credit enhanced  
141.32 bonds were issued are insufficient to pay the bonds and to the extent that the increments  
141.33 from the applicable pooling percent share for the district are insufficient; or

141.34 (4) the amount provided by the tax increment financing plan to be paid under  
141.35 subdivision 2, paragraphs (b), (d), and (e).

- 142.1       (b) The district must be decertified and the pledge of tax increment discharged  
142.2       when the outstanding bonds have been defeased and when sufficient money has been set  
142.3       aside to pay, based on the increment to be collected through the end of the calendar year,  
142.4       the following amounts:
- 142.5       (1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and  
142.6       ~~(4), the district must be decertified and the pledge of tax increment discharged;~~
- 142.7       (2) the amount specified in the tax increment financing plan for activities qualifying  
142.8       under subdivision 2, paragraph (b), that have not been funded with the proceeds of  
142.9       bonds; and
- 142.10       (3) the additional expenditures permitted by the tax increment financing plan for  
142.11       housing activities under an election under subdivision 2, paragraph (d), that have not  
142.12       been funded with the proceeds of bonds.

142.13       **EFFECTIVE DATE.** This section is effective for districts for which the request for  
142.14       certification was made after April 30, 1990.

142.15       Sec. 15. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 6,  
142.16       is amended to read:

142.17       Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to  
142.18       districts for which the request for certification was made before August 1, 2001, and  
142.19       without regard to whether the request for certification was made prior to August 1, 1979.

142.20       (b) The municipality for the district may transfer available increments from another  
142.21       tax increment financing district located in the municipality, if the transfer is necessary to  
142.22       eliminate a deficit in the district to which the increments are transferred. The municipality  
142.23       may transfer increments as provided by this subdivision without regard to whether the  
142.24       transfer or expenditure is authorized by the tax increment financing plan for the district  
142.25       from which the transfer is made. A deficit in the district for purposes of this subdivision  
142.26       means the lesser of the following two amounts:

142.27       (1)(i) the amount due during the calendar year to pay preexisting obligations of  
142.28       the district; minus

142.29       (ii) the total increments collected or to be collected from properties located within  
142.30       the district that are available for the calendar year including amounts collected in prior  
142.31       years that are currently available; plus

142.32       (iii) total increments from properties located in other districts in the municipality  
142.33       including amounts collected in prior years that are available to be used to meet the  
142.34       district's obligations under this section, excluding this subdivision, or other provisions of  
142.35       law (but excluding a special tax under section 469.1791 and the grant program under Laws  
142.36       1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

143.1 (2) the reduction in increments collected from properties located in the district for  
143.2 the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article  
143.3 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First  
143.4 Special Session chapter 5, or the elimination of the general education tax levy under  
143.5 Laws 2001, First Special Session chapter 5.

143.6 The authority may compute the deficit amount under clause (1) only (without regard  
143.7 to the limit under clause (2)) if the authority makes an irrevocable commitment, by  
143.8 resolution, to use increments from the district to which increments are to be transferred and  
143.9 any transferred increments are only used to pay preexisting obligations and administrative  
143.10 expenses for the district that are required to be paid under section 469.176, subdivision  
143.11 4h, paragraph (a).

143.12 (c) A preexisting obligation means:

143.13 (1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a  
143.14 binding contract requiring the issuance of bonds entered into before July 1, 2001, and  
143.15 bonds issued to refund such bonds or to reimburse expenditures made in conjunction with  
143.16 a signed contractual agreement entered into before August 1, 2001, to the extent that the  
143.17 bonds are secured by a pledge of increments from the tax increment financing district; and

143.18 (2) binding contracts entered into before August 1, 2001, to the extent that the  
143.19 contracts require payments secured by a pledge of increments from the tax increment  
143.20 financing district.

143.21 (d) The municipality may require a development authority, other than a seaway port  
143.22 authority, to transfer available increments including amounts collected in prior years that  
143.23 are currently available for any of its tax increment financing districts in the municipality to  
143.24 make up an insufficiency in another district in the municipality, regardless of whether the  
143.25 district was established by the development authority or another development authority.

143.26 This authority applies notwithstanding any law to the contrary, but applies only to a  
143.27 development authority that:

143.28 (1) was established by the municipality; or

143.29 (2) the governing body of which is appointed, in whole or part, by the municipality  
143.30 or an officer of the municipality or which consists, in whole or part, of members of  
143.31 the governing body of the municipality. The municipality may use this authority only  
143.32 after it has first used all available increments of the receiving development authority to  
143.33 eliminate the insufficiency and exercised any permitted action under section 469.1792,  
143.34 subdivision 3, for preexisting districts of the receiving development authority to eliminate  
143.35 the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c, 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the other provisions of this section; and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(2) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The existence of a guarantee of obligations by the individual or entity that would receive the payment under this paragraph is disregarded in the determination of eligibility to pool under this subdivision. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

(g) For transfers of increments made in calendar year 2005 and later, the reduction in increments as a result of the elimination of the general education tax levy for purposes of paragraph (b), clause (2), for a taxes payable year equals the general education tax rate for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1, for taxes payable in 2001, multiplied by the captured tax capacity of the district for the current taxes payable year.

**EFFECTIVE DATE.** This section is effective for all districts, regardless of when the request for certification was made, and applies retroactively to any transfer made under subdivision 6.

Sec. 16. Minnesota Statutes 2005 Supplement, 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 and that portion of the district overlying any subdistrict as described in

145.1 the tax increment financing plan and shall certify in each year thereafter the amount by  
145.2 which the original net tax capacity has increased or decreased as a result of a change in tax  
145.3 exempt status of property within the district and any subdistrict, reduction or enlargement  
145.4 of the district or changes pursuant to subdivision 4.

145.5 (b) If the classification under section 273.13 of property located in a district changes  
145.6 to a classification that has a different assessment ratio, the original net tax capacity of that  
145.7 property must be redetermined at the time when its use is changed as if the property had  
145.8 originally been classified in the same class in which it is classified after its use is changed.

145.9 (c) The amount to be added to the original net tax capacity of the district as a result of  
145.10 previously tax exempt real property within the district becoming taxable equals the net tax  
145.11 capacity of the real property as most recently assessed pursuant to section 273.18 or, if that  
145.12 assessment was made more than one year prior to the date of title transfer rendering the  
145.13 property taxable, the net tax capacity assessed by the assessor at the time of the transfer.  
145.14 If improvements are made to tax exempt property after ~~certification of the municipality~~  
145.15 approves the district and before the parcel becomes taxable, the assessor shall, at the  
145.16 request of the authority, separately assess the estimated market value of the improvements.  
145.17 If the property becomes taxable, the county auditor shall add to original net tax capacity,  
145.18 the net tax capacity of the parcel, excluding the separately assessed improvements. If  
145.19 substantial taxable improvements were made to a parcel after certification of the district  
145.20 and if the property later becomes tax exempt, in whole or part, as a result of the authority  
145.21 acquiring the property through foreclosure or exercise of remedies under a lease or other  
145.22 revenue agreement or as a result of tax forfeiture, the amount to be added to the original  
145.23 net tax capacity of the district as a result of the property again becoming taxable is the  
145.24 amount of the parcel's value that was included in original net tax capacity when the parcel  
145.25 was first certified. The amount to be added to the original net tax capacity of the district  
145.26 as a result of enlargements equals the net tax capacity of the added real property as most  
145.27 recently certified by the commissioner of revenue as of the date of modification of the tax  
145.28 increment financing plan pursuant to section 469.175, subdivision 4.

145.29 (d) If the net tax capacity of a property increases because the property no longer  
145.30 qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the  
145.31 Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan  
145.32 Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is  
145.33 improved or market value is increased after approval of the plat under section 273.11,  
145.34 subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original  
145.35 net tax capacity.

(e) 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.

(f) 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.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

**EFFECTIVE DATE.** This section is effective for improvements made to tax exempt property made after June 30, 2006.

Sec. 17. Minnesota Statutes 2004, section 469.1771, subdivision 2a, is amended to read:

**Subd. 2a. Suspension of distribution of tax increment.** (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b).

147.1 If the state auditor has not received a copy of a disclosure or a report described in this  
147.2 paragraph on or before the ~~third Tuesday of November~~ first day of October of the year  
147.3 in which the disclosure or report was required to be made or submitted, the state auditor  
147.4 shall mail a written notice to the county auditor to hold the distribution of tax increment  
147.5 from a particular district.

147.6 (b) Upon receiving written notice from the state auditor to hold the distribution of  
147.7 tax increment, the county auditor shall hold:

147.8 (1) ~~25~~ 100 percent of the amount of tax increment that otherwise would be  
147.9 distributed, if the distribution is made after the ~~third Friday in November~~ first day of  
147.10 October but during the year in which the disclosure or report was required to be made or  
147.11 submitted; or

147.12 (2) 100 percent of the amount of tax increment that otherwise would be distributed,  
147.13 if the distribution is made after December 31 of the year in which the disclosure or report  
147.14 was required to be made or submitted.

147.15 (c) Upon receiving the copy of the disclosure and all of the reports described in  
147.16 paragraph (a) with respect to a district regarding which the state auditor has mailed to the  
147.17 county auditor a written notice to hold distribution of tax increment, the state auditor shall  
147.18 mail to the county auditor a written notice lifting the hold and authorizing the county  
147.19 auditor to distribute to the authority or municipality any tax increment that the county  
147.20 auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice  
147.21 required by this paragraph within five working days after receiving the last outstanding  
147.22 item. The county auditor shall distribute the tax increment to the authority or municipality  
147.23 within 15 working days after receiving the written notice required by this paragraph.

147.24 (d) Notwithstanding any law to the contrary, any interest that accrues on tax  
147.25 increment while it is being held by the county auditor pursuant to paragraph (b) is not tax  
147.26 increment and may be retained by the county.

147.27 (e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision  
147.28 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered  
147.29 distributed to or received by the authority or municipality as of the time that it would have  
147.30 been distributed or received but for paragraph (b).

147.31 **EFFECTIVE DATE.** This section is effective for disclosures and reports required  
147.32 to be filed after December 30, 2006.

147.33 Sec. 18. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

148.1 Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The  
148.2 applicant may request a shorter duration. The commissioner may specify a shorter  
148.3 duration, regardless of the requested duration.

148.4 (b) The duration limit under this subdivision and the duration of the zone for  
148.5 purposes of allowance of tax incentives described in section 469.315 is extended by three  
148.6 calendar years for each parcel of property that meets the following requirements:

148.7 (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on  
148.8 the site that includes the parcel; and

148.9 (2) the business subsidy agreement was executed after April 30, 2006.

148.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

148.11 Sec. 19. Minnesota Statutes 2004, section 475.58, subdivision 1, is amended to read:

148.12 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or  
148.13 charter may be issued by any municipality upon obtaining the approval of a majority of  
148.14 the electors voting on the question of issuing the obligations, but an election shall not be  
148.15 required to authorize obligations issued:

148.16 (1) to pay any unpaid judgment against the municipality;

148.17 (2) for refunding obligations;

148.18 (3) for an improvement or improvement program, which obligation is payable  
148.19 wholly or partly from the proceeds of special assessments levied upon property specially  
148.20 benefited by the improvement or by an improvement within the improvement program, or  
148.21 ~~of taxes levied upon the increased value of property within a district for the development of~~  
148.22 ~~which the improvement is undertaken~~ from tax increments, as defined in section 469.174,  
148.23 subdivision 25, including obligations which are the general obligations of the municipality,  
148.24 if the municipality is entitled to reimbursement in whole or in part from the proceeds of  
148.25 such special assessments or ~~taxes~~ tax increments and not less than 20 percent of the cost of  
148.26 the improvement or the improvement program is to be assessed against benefited property  
148.27 or is to be paid from the proceeds of federal grant funds or a combination thereof, or is  
148.28 estimated to be received from ~~such taxes within the district~~ tax increments;

148.29 (4) payable wholly from the income of revenue producing conveniences;

148.30 (5) under the provisions of a home rule charter which permits the issuance of  
148.31 obligations of the municipality without election;

148.32 (6) under the provisions of a law which permits the issuance of obligations of a  
148.33 municipality without an election;

148.34 (7) to fund pension or retirement fund liabilities pursuant to section 475.52,  
148.35 subdivision 6;



149.1 (8) under a capital improvement plan under section 373.40; and  
149.2 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if  
149.3 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,  
149.4 subdivision 4g, paragraph (b).

149.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

149.6 Sec. 20. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to  
149.7 read:

149.8  
149.9 Subdivision 1. **Establishment.** The city of Brooklyn Park may establish an  
149.10 economic development tax increment financing district in which ~~15 percent~~ all of the  
149.11 revenue generated from tax increment in any year that is not expended pursuant to a  
149.12 pledge given or encumbrance created before January 1, 2006, is deposited in the housing  
149.13 development account of the authority and expended according to the tax increment  
149.14 financing plan.

149.15 Sec. 21. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to  
149.16 read:

149.17  
149.18 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing  
149.19 activities that will be assisted by the housing development account. Housing activities  
149.20 may include rehabilitation, acquisition, demolition, and financing of new or existing  
149.21 single family or multifamily housing. Housing activities listed in the plan need not be  
149.22 located within the district or project area but must be activities that meet the requirements  
149.23 of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761,  
149.24 subdivision 2, for owner-occupied housing or 469.174, subdivision 29, clause (1), for  
149.25 rental housing.

149.26 Sec. 22. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

149.27 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka  
149.28 County may impose a mortgage registry and deed tax.

149.29 (b) The rate of the mortgage registry tax equals .0001 of the principal.

149.30 (c) The rate of the deed tax equals .0001 of the amount.

149.31 Subd. 2. **General law provisions apply.** The taxes under this section apply to  
149.32 the same base and must be imposed, collected, administered, and enforced in the same  
149.33 manner as provided under chapter 287 for the state mortgage registry and deed taxes.  
149.34 All the provisions of chapter 287 apply to these taxes, except the rate is as specified

150.1 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the  
150.2 revenue must be deposited as provided in subdivision 3.

150.3 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka  
150.4 County Board of Commissioners and must be deposited in the county's environmental  
150.5 response fund under section 15.

150.6 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
150.7 January 1, 2013.

150.8 Sec. 23. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

150.9 Subdivision 1. **Creation.** An environmental response fund is created for the  
150.10 purposes specified in this section. The taxes imposed by section 14 must be deposited  
150.11 in the fund. The Board of County Commissioners shall administer the fund either as a  
150.12 county board, a housing and redevelopment authority, or a regional rail authority.

150.13 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the  
150.14 following purposes:

150.15 (1) acquisition through purchase or condemnation of lands or property which are  
150.16 polluted or contaminated with hazardous substances;

150.17 (2) paying the costs associated with indemnifying or holding harmless the  
150.18 entity taking title to lands or property from any liability arising out of the ownership,  
150.19 remediation, or use of the land or property;

150.20 (3) paying for the costs of remediating the acquired land or property;

150.21 (4) paying the costs associated with remediating lands or property which are polluted  
150.22 or contaminated with hazardous substances; or

150.23 (5) paying for the costs associated with improving the property for economic  
150.24 development, recreational, housing, transportation or rail traffic.

150.25 Subd. 3. **Matching funds.** In expending funds under this section, the county shall  
150.26 seek matching funds from contamination cleanup funds administered by the commissioner  
150.27 of the Department of Employment and Economic Development, the Metropolitan Council,  
150.28 the federal government, the private sector, and any other source.

150.29 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by  
150.30 section 14 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

150.31 Subd. 5. **Land sales.** Land or property acquired under this section may be resold  
150.32 at fair market value. Proceeds from the sale of the land must be deposited in the  
150.33 environmental response fund.

150.34 Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with  
150.35 the county and any affected municipality by providing technical assistance and support in  
150.36 cleaning up a contaminated site related to a trunk highway or railroad improvement.

151.1       Sec. 24. **CITY OF BROOKLYN PARK TAX INCREMENT FINANCING**  
151.2 **DISTRICT EXTENSION.**

3           Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other  
151.4 law to the contrary, the duration limit that applies to the economic development tax  
151.5 increment financing district established under Laws 1994, chapter 587, article 9, section  
151.6 20, is extended to December 31, 2020.

151.7       Sec. 25. **BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT**  
151.8 **FINANCING.**

151.9       Subdivision 1. Definitions. (a) For the purposes of this section, the words and  
151.10 phrases defined have the meanings given them in this subdivision.

151.11       (b) "Project area" means the area in the city bounded on the south, southeast, and  
151.12 southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east  
151.13 by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest  
151.14 by the Minnesota River; and on the west by the westerly corporate limits of the city;  
151.15 together with a single parcel to the east of said Interstate Highway I-35W described as the  
151.16 North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24  
151.17 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that  
151.18 the project area includes the rights-of-way for all present and future highway interchanges  
151.19 abutting the area described in this paragraph.

151.20       (c) "Soils deficiency district" means a type of tax increment financing district  
151.21 consisting of a portion of the project area in which the city finds by resolution that the  
151.22 following conditions exist:

151.23       (1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district  
4       require substantial filling, grading, or other physical preparation for use;

151.25       (2) the estimated cost of the physical preparation under clause (1), but excluding  
151.26 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local  
151.27 improvement as described in Minnesota Statutes, section 429.021, subdivision 1, clauses  
151.28 (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before  
151.29 completion of the preparation.

151.30       Subd. 2. Special rules. (a) If the city elects, upon the adoption of the tax increment  
151.31 financing plan for a district, the rules under this section apply to a redevelopment district,  
151.32 renewal and renovation district, soils condition district, or soils deficiency district  
151.33 established by the city of Burnsville or a development authority of the city in the project  
151.34 area.

151.35       (b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3  
151.36 and 4, is extended to ten years for any district.

152.1 (c) The limitations on spending tax increment outside of the district under Minnesota  
152.2 Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be  
152.3 expended on improvements or activities within the project area.

152.4 (d) In the case of a soil deficiency district:

152.5 (1) increments may be collected through 20 years after the receipt by the authority of  
152.6 the first increment from the district; and

152.7 (2) except as otherwise provided in this subdivision, increments may be used only  
152.8 to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii)  
152.9 pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost  
152.10 of installing public improvements directly caused by the deficiencies; and (iii) pay for the  
152.11 administrative expenses of the authority allocable to the district.

152.12 (e) Increments spent for any infrastructure costs (whether inside a district or outside  
152.13 a district but within the project area) are deemed to satisfy the requirements of paragraph  
152.14 (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

152.15 (f) The authority to approve tax increment financing plans to establish tax increment  
152.16 financing districts under this section expires December 31, 2026.

152.17 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
152.18 Statutes, section 645.021, subdivision 3.

152.19 **Sec. 26. BURNSVILLE; HEART OF THE CITY TAX INCREMENT**  
152.20 **FINANCING DISTRICT.**

152.21 Notwithstanding any contrary provision of law, the five-year rule under Minnesota  
152.22 Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment  
152.23 derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax  
152.24 increment financing District No. 6 established by the city and its economic development  
152.25 authority on April 15, 2002.

152.26 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
152.27 Statutes, section 645.021, subdivision 3.

152.28 **Sec. 27. CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT**  
152.29 **FINANCING DISTRICT.**

152.30 Subdivision 1. **Authorization.** At the election of the governing body of the city of  
152.31 Detroit Lakes, upon adoption of the tax increment financing plan for the district described  
152.32 in this section, the rules provided under this section apply to each such district.

152.33 Subd. 2. **Definition.** In this section, "district" means a redevelopment district  
152.34 established by the city of Detroit Lakes or the Detroit Lakes Development Authority  
152.35 within the following area:

153.1 Beginning at the intersection of Washington Avenue and the Burlington Northern  
153.2 Santa Fe railroad then east to the intersection of Roosevelt Avenue then south to the  
153.3 intersection of Highway 10/Frazee Street then west to the intersection of Frazee Street and  
153.4 the alley that parallels Washington Avenue then north to the point of beginning.

153.5 More than one district may be created under this section.

153.6 Subd. 3. **Qualification as redevelopment district; special rules.** The district shall  
153.7 be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All  
153.8 buildings that are removed to facilitate the Highway 10 Realignment Project are deemed  
153.9 to be "structurally substandard." The three-year limit after demolition of the buildings to  
153.10 request tax increment financing certification provided in Minnesota Statutes, section  
153.11 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

153.12 Subd. 4. **Expiration.** The authority to approve tax increment financing plans to  
153.13 establish a tax increment financing redevelopment district subject to this section expires  
153.14 on December 31, 2014.

153.15 Subd. 5. **Effective date.** This section is effective upon approval of the governing  
153.16 body of the city of Detroit Lakes and compliance with Minnesota Statutes, section  
153.17 645.021, subdivision 3.

153.18 Sec. 28. **CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX**  
153.19 **INCREMENT FINANCING DISTRICTS.**

153.20 Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota  
153.21 Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco  
153.22 are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to  
153.23 469.1799, as long as they do not exceed the population limit in that section.

153.24 Subd. 2. **Local approval.** This section is effective for each of the cities of Elgin,  
153.25 Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance  
153.26 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

153.27 Sec. 29. **CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX**  
153.28 **INCREMENT DISTRICT.**

153.29 Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

153.30 (b) "Homeless assistance tax increment district" means a contiguous area of the  
153.31 city that:

153.32 (1) is no larger than six acres;

153.33 (2) is located within the boundaries of a city municipal development district; and

153.34 (3) contains at least two shelters for homeless persons that have been owned or  
153.35 operated by nonprofit corporations that (i) are qualified charitable organizations under  
153.36 section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such

154.1 homeless facilities within the district for at least five years, and (iii) have been recipients  
154.2 of emergency services grants under Minnesota Statutes, section 256E.36.

154.3 Subd. 2. **Establishment of tax increment district.** The city may create one  
154.4 homeless assistance tax increment district. To establish the homeless assistance tax  
154.5 increment district, the city shall adopt a homeless assistance tax increment plan and  
154.6 otherwise comply with the requirements of Minnesota Statutes, section 469.175, except  
154.7 that the determinations required in Minnesota Statutes, section 469.175, subdivision 3,  
154.8 paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

154.9 Subd. 3. **Application of tax increment law.** Minnesota Statutes, sections 469.174  
154.10 to 469.179, shall apply to the administration of the district, except:

154.11 (1) as this section provides otherwise; and

154.12 (2) with respect to the portion of the increment to be expended for homeless shelter  
154.13 and services pursuant to subdivision 5, paragraph (b):

154.14 (i) the use for which tax increment that may be expended is as provided by  
154.15 subdivision 5; and

154.16 (ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

154.17 Subd. 4. **Duration limitation.** No tax increment generated by the district shall  
154.18 be paid to the city after the expiration of 25 years from the receipt by the city of the  
154.19 first increment from that district.

154.20 Subd. 5. **Limitations on use of increment.** (a) All increment received by the city  
154.21 from the district shall be used in accordance with the homeless assistance tax increment  
154.22 district plan.

154.23 (b) No less than 40 percent of the increment, after deduction of allowable  
154.24 administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall  
154.25 be used to provide emergency shelter and services for homeless persons within and  
154.26 outside the district.

154.27 (c) The remainder of the tax increment derived from the district shall be used for  
154.28 purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.

154.29 Subd. 6. **Applicability of other laws.** References in Minnesota Statutes to tax  
154.30 increment financing districts created and tax increment generated under Minnesota  
154.31 Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax  
154.32 increment subject to this section.

154.33 **EFFECTIVE DATE.** This section is effective upon compliance by the city of  
154.34 Minneapolis with Minnesota Statutes, section 645.021.

154.35 Sec. 30. **CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;**  
154.36 **EXPENDITURES OUTSIDE DISTRICT.**

155.1 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision  
155.2 2, the city of New Brighton may expend tax increments from District No. 26 for eligible  
155.3 activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax  
155.4 Increment District No. 26, but only within the area described in Laws 1998, chapter 389,  
155.5 article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3,  
155.6 and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures  
155.7 permitted in this section.

155.8 **EFFECTIVE DATE.** This section is effective upon approval by the governing body  
155.9 of the city of New Brighton and compliance with Minnesota Statutes, section 645.021,  
155.10 subdivision 3.

155.11 Sec. 31. **CITY OF RAMSEY; TAX INCREMENT FINANCING.**

155.12 Subdivision 1. **Authority.** The governing body of the city of Ramsey or a  
155.13 development authority established by the city may create a tax increment financing  
155.14 district, consisting of the property defined as outlot L, Ramsey Town Center Addition and  
155.15 lot 2, block 1, Ramsey Town Center Addition.

155.16 Subd. 2. **Special rules.** Establishment of the district is subject to the requirements  
155.17 of Minnesota Statutes, sections 469.174 to 469.1799 with the following exceptions:

155.18 (1) the district is deemed to be a redevelopment district without regard to the  
155.19 requirements of Minnesota Statutes, section 469.174, subdivision 10;

155.20 (2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not  
155.21 apply to the district;

155.22 (3) housing receiving assistance, directly or indirectly, from the expenditures of  
155.23 the district's increments must meet the requirements of Minnesota Statutes, sections  
155.24 469.174, subdivision 11, and 469.1761;

155.25 (4) the district's increments must be used only to pay for costs related to the Sunwood  
155.26 on Grand project, including land acquisition, public infrastructure, parking ramps, and  
155.27 administrative expenses, whether paid directly to reimburse for payment of those costs or  
155.28 to repay bonds or other obligations issued and sold to pay those costs initially; and

155.29 (5) general obligations bonds issued to pay for costs related to the project subject  
155.30 to this section are not subject to the net debt limit of the city under Minnesota Statutes,  
155.31 section 475.53, or any other law or charter provision.

155.32 **EFFECTIVE DATE.** This section is effective upon local approval by the governing  
155.33 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,  
155.34 section 645.021.

156.1       Sec. 32. **CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.**

156.2           Subdivision 1. Establishment of district. The city of St. Michael may establish  
156.3       a redevelopment tax increment financing district subject to Minnesota Statutes, sections  
156.4       469.174 to 469.179, except as provided in this section. The district must be established  
156.5       within an area that includes the downtown and town center areas as designated by the city  
156.6       as well as all parcels adjacent to marked Trunk Highway 241 within the city.

156.7           Subd. 2. Special rules. (a) Notwithstanding the requirements of Minnesota  
156.8       Statutes, section 469.174, subdivision 10, the district may be established and operated as  
156.9       a redevelopment district.

156.10          (b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176,  
156.11       subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments  
156.12       from the district created under this section may be used to meet the cost of land  
156.13       acquisition, removal of buildings in the right-of-way acquisition area, and other costs  
156.14       incurred by the city of St. Michael in the expansion and improvement of marked Trunk  
156.15       Highway 241 within the city.

156.16          (c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

156.17          EFFECTIVE DATE. This section is effective the day after the governing body of  
156.18       the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

156.19       Sec. 33. **QUALIFIED BUSINESS; SMALL DECLINING POPULATION**  
156.20       **COUNTY.**

156.21          Notwithstanding Minnesota Statutes, section 469.310, subdivision 11, paragraph  
156.22       (f), a qualified business for purposes of Minnesota Statutes, section 469.310, subdivision  
156.23       11, includes a food service business if the business is located solely in a qualified county,  
156.24       and if the business began operations in January 2004, with employment of between 15  
156.25       and 20 part-time and full-time employees. For the purpose of this section, a "qualified  
156.26       county" is a county having an estimated population of less than 5,000 in 2004 and that  
156.27       experienced a reduction in population of at least 7.5 percent between 2000 and 2004,  
156.28       according to the state demographer.

156.29          EFFECTIVE DATE. This section is effective the day following final enactment.

156.30       Sec. 34. **REPEALER.**

156.31          (a) Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

156.32          (b) Laws 1996, chapter 464, article 1, section 8, subdivision 5, is repealed.

156.33       Sec. 35. **REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX**  
156.34       **INCREMENTS.**



157.1 Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax  
157.2 increments derived from tax increment financing district no. 2-1 as of the effective date  
157.3 of this act must be returned to the county for distribution in accordance with Minnesota  
157.4 Statutes, section 469.176, subdivision 2.

157.5 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota  
157.6 Statutes, section 645.021, subdivision 3.

157.7 **ARTICLE 12**  
157.8 **AIDS AND CREDITS**

157.9 Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36,  
157.10 is amended to read:

157.11 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,  
157.12 "city aid base" is zero.

157.13 (b) The city aid base for any city with a population less than 500 is increased by  
157.14 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount  
157.15 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
157.16 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- 157.17 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;  
157.18 (ii) the city portion of the tax capacity rate exceeds 100 percent; and  
157.19 (iii) its city aid base is less than \$60 per capita.

157.20 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and  
157.21 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
157.22 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- 157.23 (i) the city has a population in 1994 of 2,500 or more;  
157.24 (ii) the city is located in a county, outside of the metropolitan area, which contains a  
157.25 city of the first class;  
157.26 (iii) the city's net tax capacity used in calculating its 1996 aid under section  
157.27 477A.013 is less than \$400 per capita; and  
157.28 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of  
157.29 property located in the city is classified as railroad property.

157.30 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and  
157.31 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
157.32 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- 157.33 (i) the city was incorporated as a statutory city after December 1, 1993;  
157.34 (ii) its city aid base does not exceed \$5,600; and  
157.35 (iii) the city had a population in 1996 of 5,000 or more.

158.1 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the  
158.2 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
158.3 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

158.4 (i) the city had a population in 1996 of at least 50,000;

158.5 (ii) its population had increased by at least 40 percent in the ten-year period ending  
158.6 in 1996; and

158.7 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

158.8 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and  
158.9 thereafter, and the maximum amount of total aid it may receive under section 477A.013,  
158.10 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,  
158.11 provided that:

158.12 (1) the city has a population that is greater than 1,000 and less than 2,500;

158.13 (2) its commercial and industrial percentage for aids payable in 1999 is greater  
158.14 than 45 percent; and

158.15 (3) the total market value of all commercial and industrial property in the city  
158.16 for assessment year 1999 is at least 15 percent less than the total market value of all  
158.17 commercial and industrial property in the city for assessment year 1998.

158.18 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and  
158.19 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
158.20 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

158.21 (1) the city had a population in 1997 of 2,500 or more;

158.22 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
158.23 477A.013 is less than \$650 per capita;

158.24 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under  
158.25 section 477A.013 is greater than 12 percent;

158.26 (4) the 1999 local government aid of the city under section 477A.013 is less than  
158.27 20 percent of the amount that the formula aid of the city would have been if the need  
158.28 increase percentage was 100 percent; and

158.29 (5) the city aid base of the city used in calculating aid under section 477A.013  
158.30 is less than \$7 per capita.

158.31 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and  
158.32 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
158.33 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

158.34 (1) the city has a population in 1997 of 2,000 or more;

158.35 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
158.36 477A.013 is less than \$455 per capita;

159.1 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is  
159.2 greater than \$195 per capita; and

159.3 (4) the 1999 local government aid of the city under section 477A.013 is less than  
159.4 38 percent of the amount that the formula aid of the city would have been if the need  
159.5 increase percentage was 100 percent.

159.6 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and  
159.7 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
159.8 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

159.9 (1) the city has a population in 1998 that is greater than 200 but less than 500;

159.10 (2) the city's revenue need used in calculating aids payable in 2000 was greater  
159.11 than \$200 per capita;

159.12 (3) the city net tax capacity for the city used in calculating aids available in 2000  
159.13 was equal to or less than \$200 per capita;

159.14 (4) the city aid base of the city used in calculating aid under section 477A.013  
159.15 is less than \$65 per capita; and

159.16 (5) the city's formula aid for aids payable in 2000 was greater than zero.

159.17 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and  
159.18 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
159.19 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

159.20 (1) the city had a population in 1998 that is greater than 200 but less than 500;

159.21 (2) the city's commercial industrial percentage used in calculating aids payable in  
159.22 2000 was less than ten percent;

159.23 (3) more than 25 percent of the city's population was 60 years old or older according  
159.24 to the 1990 census;

159.25 (4) the city aid base of the city used in calculating aid under section 477A.013  
159.26 is less than \$15 per capita; and

159.27 (5) the city's formula aid for aids payable in 2000 was greater than zero.

159.28 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by  
159.29 an additional \$50,000 in calendar years 2002 to 2011, and by an additional \$89,000 in  
159.30 calendar years 2007 to 2011, and the maximum amount of total aid it may receive under  
159.31 section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar  
159.32 year 2001 only, and by \$50,000 in calendar year 2002 only, and by an additional \$89,000  
159.33 in calendar year 2007 only, provided that:

159.34 (1) the net tax capacity of the city used in calculating its 2000 aid under section  
159.35 477A.013 is less than \$810 per capita;

159.36 (2) the population of the city declined more than two percent between 1988 and 1998;

160.1 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is  
160.2 greater than \$240 per capita; and

160.3 (4) the city received less than \$36 per capita in aid under section 477A.013,  
160.4 subdivision 9, for aids payable in 2000.

160.5 (l) The city aid base for a city with a population of 10,000 or more which is located  
160.6 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the  
160.7 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
160.8 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to  
160.9 the lesser of:

160.10 (1)(i) the total population of the city, as determined by the United States Bureau of  
160.11 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

160.12 (2) \$2,500,000.

160.13 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the  
160.14 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
160.15 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

160.16 (1) the city is located in the seven-county metropolitan area;

160.17 (2) its population in 2000 is between 10,000 and 20,000; and

160.18 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,  
160.19 was greater than 25 percent.

160.20 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to  
160.21 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum  
160.22 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),  
160.23 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000  
160.24 in calendar year 2007 only, provided that:

160.25 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

160.26 (2) its home county is located within the seven-county metropolitan area;

160.27 (3) its pre-1940 housing percentage is less than 15 percent; and

160.28 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900  
160.29 per capita.

160.30 (o) The city aid base for a city is increased by \$200,000 beginning in calendar  
160.31 year 2003 and the maximum amount of total aid it may receive under section 477A.013,  
160.32 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,  
160.33 provided that the city qualified for an increase in homestead and agricultural credit aid  
160.34 under Laws 1995, chapter 264, article 8, section 18.

160.35 (p) The city aid base for a city is increased by \$200,000 in 2004 only and the  
160.36 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is

161.1 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear  
161.2 dry cask storage facility.

161.3 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the  
161.4 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
161.5 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster  
161.6 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by  
161.7 more than 40 percent between 1990 and 2000.

161.8 (r) The city aid base for a city is increased by \$25,000 in 2006 only and the  
161.9 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
161.10 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000  
161.11 and has a state park for which the city provides rescue services and which comprised at  
161.12 least 14 percent of the total geographic area included within the city boundaries in 2000.

161.13 (s) The city aid base for a city with a population less than 5,000 is increased in  
161.14 2006 and thereafter and the minimum and maximum amount of total aid it may receive  
161.15 under this section is also increased in calendar year 2006 only by an amount equal to  
161.16 \$6 multiplied by its population.

161.17 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

161.18 Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8, is  
161.19 amended to read:

161.20 Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the  
161.21 formula aid for a city is equal to the need increase percentage multiplied by the difference  
161.22 between (1) the city's revenue need multiplied by its population, and (2) the sum of the  
161.23 city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections  
161.24 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant,  
161.25 multiplied by the following percentages:

- 161.26 (i) zero percent for aids payable in 2004;
- 161.27 (ii) 25 percent for aids payable in 2005;
- 161.28 (iii) 50 percent for aids payable in 2006;
- 161.29 (iv) 75 percent for aids payable in 2007; and
- 161.30 (v) 100 percent for aids payable in 2008 and thereafter.

161.31 For purposes of this subdivision, "a city directly impacted by a taconite mine or  
161.32 plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)  
161.33 Silver Bay, or (7) Virginia.

161.34 No city may have a formula aid amount less than zero. The need increase percentage  
161.35 must be the same for all cities.

162.1 The applicable need increase percentage ~~must be calculated by the Department of~~  
162.2 ~~Revenue so that the total of the aid under subdivision 9 equals the total amount available~~  
162.3 ~~for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4~~  
162.4 ~~and 5~~ is 100 percent for aids payable in 2007 and thereafter.

162.5 Sec. 3. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

162.6 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each  
162.7 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
162.8 subdivision 8, and (2) its city aid base.

162.9 (b) ~~The aid for a city in calendar year 2004 shall not exceed the amount of its aid in~~  
162.10 ~~calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21,~~  
162.11 ~~article 5.~~

162.12 (c) For aids payable in 2005 ~~and thereafter~~, and 2006, the total aid for any city  
162.13 shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the  
162.14 aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and  
162.15 thereafter, the total aid for any city with a population of 2,500 or more may not decrease  
162.16 from its total aid under this section in the previous year by an amount greater than ten  
162.17 percent of its net levy in the year prior to the aid distribution.

162.18 (d) ~~For aids payable in 2004 only, the total aid for a city with a population less than~~  
162.19 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~  
162.20 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~  
162.21 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ (c) For aids payable in  
162.22 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be  
162.23 less than the amount it was certified to receive in the previous year minus five percent  
162.24 of its 2003 certified aid amount.

162.25 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

162.26 Sec. 4. Minnesota Statutes 2004, section 477A.03, subdivision 2, is amended to read:

162.27 Subd. 2. **Annual appropriation.** (a) A sum sufficient to discharge the duties  
162.28 imposed by sections 477A.011 to 477A.014 is annually appropriated from the general  
162.29 fund to the commissioner of revenue.

162.30 (b) In fiscal year 2007, \$41,000,000 is appropriated from the general fund to the  
162.31 commissioner of revenue to be used for the purposes of paragraph (a) for distributions  
162.32 in calendar years 2007 and 2008. These amounts do not cancel, and remain available  
162.33 until expended.

162.34 Sec. 5. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is  
162.35 amended to read:

Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9, is limited to \$485,052,000, plus the amount of the payments provided in section 5.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

Sec. 6. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to read:

**Sec. 5. ~~2005 AND 2006~~ CITY AID PAYMENTS.**

In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003 reduction in market value credit reimbursements for that city due to Laws 2003, First Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value credit reimbursements are reduced to less than zero under this section. To the extent sufficient information is available on each payment date, the commissioner shall pay the annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under this section, to cities in equal installments on the dates specified in Minnesota Statutes, section 273.1384.

**Sec. 7. ONETIME 2006 ADDITIONAL CITY AID.**

**Subdivision 1. Computation.** For aid payable in 2006 only, the aid payable to each city under Minnesota Statutes, section 477A.013, subdivision 9, is increased by the difference between the amount that would have been paid to the city under that provision and the amount that would be payable to the city if the aid were determined as follows:

(1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision 34, must be multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce for 2004 to the 2002 implicit price deflator for state and local government purchases;

(2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must not be added to the city net tax capacity under Minnesota Statutes, section 477A.013, subdivision 8;

(3) the need increase percentage under Minnesota Statutes, section 477A.013, subdivision 8, shall be equal to 100 percent;

164.1 (4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that  
164.2 the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the  
164.3 previous year plus its total aid in the previous year shall not apply; and

164.4 (5) no city shall receive less aid than it was originally certified to receive for aids  
164.5 payable in 2006.

164.6 The aid payable under this section must be used by cities for debt reduction, pension  
164.7 funding, capital improvements, deferred maintenance, fee reduction, or to pay costs  
164.8 related to public safety.

164.9 Subd. 2. **Appropriation; payment.** The commissioner of revenue shall make the  
164.10 payments of the additional 2006 city aid in three installments on May 1, July 20, and  
164.11 December 26, 2006. An amount sufficient to pay the aid under this section is appropriated  
164.12 to the commissioner of revenue from the general fund.

164.13 **EFFECTIVE DATE.** This section is effective for aids payable in 2006.

164.14 **Sec. 8. COUNTY TARGETED CASE MANAGEMENT AID.**

164.15 Subdivision 1. **Distribution.** For 2006 and 2007 only, county targeted case  
164.16 management aid shall be allocated to counties based on each county's share of the state  
164.17 total of children's social services and mental health services administered by the counties  
164.18 under the jurisdiction of the Minnesota Department of Human Services. The aid payable  
164.19 under this section must be used by counties to offset reductions in federal funding under  
164.20 the Deficit Reduction Act of 2005 for targeted case management.

164.21 Subd. 2. **Appropriation; payment.** For aids payable in 2006, the total aid under  
164.22 this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this  
164.23 section is limited to \$20,000,000. The commissioner of revenue shall make the payments  
164.24 of the county targeted case management aid in two installments on July 20 and December  
164.25 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid  
164.26 under this section is appropriated to the commissioner of revenue from the general fund.

164.27 **EFFECTIVE DATE.** This section is effective for aids payable in 2006 and 2007.

164.28 **Sec. 9. MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

164.29 \$600,000 is appropriated from the general fund to the commissioner of revenue to be  
164.30 used to make payments to Mahnomen County and the city of Mahnomen to compensate  
164.31 them for the loss of property tax revenue due to the placement of land located in the  
164.32 city of Mahnomen in trust status during calendar year 2006. The appropriation shall be  
164.33 reduced by the amount of any payment in lieu of tax received by Mahnomen County



165.1 or the city of Mahnomen for the property placed in trust status. The payment shall be  
165.2 made on July 20, 2006.

165.3 Sec. 10. **COUNTY REFERENDUM COST REIMBURSEMENT;**  
165.4 **APPROPRIATION.**

165.5 If one or more bills are enacted during the 2006 session of the legislature that  
165.6 provides for a referendum in 2006 on a proposed constitutional amendment, \$122,000 is  
165.7 appropriated from the general fund to the commissioner of revenue to be distributed to  
165.8 the counties in proportion to each county's share of the state's registered voters. This is a  
165.9 onetime payment, to be paid on July 20, 2006, to compensate the counties for the cost of  
165.10 preparing ballots for the constitutional amendment or amendments.

165.11 Sec. 11. **LOCAL TRUNK HIGHWAY IMPROVEMENTS; APPROPRIATION.**

165.12 \$5,000,000 is appropriated from the general fund to the commissioner of  
165.13 transportation to be distributed, \$2,500,000 to the City of Nisswa and \$2,500,000 to the  
165.14 City of Pequot Lakes, to be used to pay the local share of trunk highway improvement  
165.15 projects. The advisory committee established under Minnesota Statutes, section 174.52,  
165.16 shall provide recommendations to the cities on the most efficient use of the funds provided.

165.17 **ARTICLE 13**  
165.18 **MINERALS**

165.19 Section 1. Minnesota Statutes 2004, section 298.001, is amended by adding a  
165.20 subdivision to read:

165.21 Subd. 3a. **Producer.** "Producer" means a person engaged in the business of mining  
165.22 or producing iron ore, taconite concentrate, or direct reduced ore in this state.

165.23 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
165.24 December 31, 2005.

165.25 Sec. 2. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 3, is  
165.26 amended to read:

165.27 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
165.28 mining or producing ores in this state, except iron ore or taconite concentrates, shall pay  
165.29 an occupation tax to the state of Minnesota as provided in this subdivision. The tax is  
165.30 determined in the same manner as the tax imposed by section 290.02, except that sections  
165.31 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do  
165.32 not apply, and the occupation tax must be computed by applying to taxable income the  
3 rate of 2.45 percent. A person subject to occupation tax under this section shall apportion  
165.34 its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2005.

Sec. 3. Minnesota Statutes 2004, section 298.01, subdivision 3a, is amended to read:

Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income under subdivision 3, gross income is determined by the amount of gross proceeds from mining in this state under section 298.016 and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state. If more than one mineral, metal, or energy resource referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each mineral, metal, or energy resource must be determined separately. The gross incomes may be combined on one occupation tax return to arrive at the gross income of all production.

(b) In applying section 290.191, subdivision 5, transfers of ores are deemed to be sales outside in this state ~~if the ores are transported out of this state after the ores have been converted to a marketable quality.~~

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2005.

Sec. 4. Minnesota Statutes 2004, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses

167.1 are included in gross income. The allowable deductions from a mine or plant that mines  
167.2 and produces more than one mineral, metal, or energy resource must be determined  
167.3 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,  
167.4 clause (9). These deductions may be combined on one occupation tax return to arrive at  
167.5 the deduction from gross income for all production.

167.6 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,  
167.7 clauses (7) and (11), are not used to determine taxable income.

167.8 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
167.9 December 31, 2005.

167.10 Sec. 5. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 4, is  
167.11 amended to read:

167.12 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in  
167.13 the business of mining or producing of iron ore, taconite concentrates or direct reduced ore  
167.14 in this state shall pay an occupation tax to the state of Minnesota. The tax is determined  
167.15 in the same manner as the tax imposed by section 290.02, except that sections 290.05,  
167.16 subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply,  
167.17 and the occupation tax shall be computed by applying to taxable income the rate of 2.45  
167.18 percent. A person subject to occupation tax under this section shall apportion its net  
167.19 income on the basis of the percentage obtained by taking the sum of:

167.20 (1) 75 percent of the percentage which the sales made within this state in connection  
167.21 with the trade or business during the tax period are of the total sales wherever made in  
167.22 connection with the trade or business during the tax period;

167.23 (2) 12.5 percent of the percentage which the total tangible property used by the  
167.24 taxpayer in this state in connection with the trade or business during the tax period is of  
167.25 the total tangible property, wherever located, used by the taxpayer in connection with the  
167.26 trade or business during the tax period; and

167.27 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or  
167.28 incurred in this state or paid in respect to labor performed in this state in connection with  
167.29 the trade or business during the tax period are of the taxpayer's total payrolls paid or  
167.30 incurred in connection with the trade or business during the tax period.

167.31 The tax is in addition to all other taxes.

167.32 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
167.33 December 31, 2005.

167.34 Sec. 6. Minnesota Statutes 2004, section 298.01, subdivision 4a, is amended to read:

168.1 Subd. 4a. **Gross income.** (a) For purposes of determining a person's taxable income  
168.2 under subdivision 4, gross income is determined by the mine value of the ore mined in  
168.3 Minnesota and includes any gain or loss recognized from the sale or disposition of assets  
168.4 used in the business in this state.

168.5 (b) Mine value is the value, or selling price, of iron ore or taconite concentrates, f.o.b.  
168.6 mine. The mine value is calculated by multiplying the iron unit price for the period, as  
168.7 determined by the commissioner, by the tons produced and the weighted average analysis.

168.8 (c) In applying section 290.191, subdivision 5, transfers of iron ore and taconite  
168.9 concentrates are deemed to be sales outside in this state ~~if the iron ore or taconite~~  
168.10 ~~concentrates are transported out of this state after the raw iron ore and taconite~~  
168.11 ~~concentrates have been converted to a marketable quality.~~

168.12 (d) If iron ore or taconite and a mineral, metal, or energy resource referred to in  
168.13 section 298.016 is mined and processed at the same mine and plant, a gross income for  
168.14 each mineral, metal, or energy resource must be determined separately from the mine  
168.15 value for the iron ore or taconite. The gross income may be combined on one occupation  
168.16 tax return to arrive at the gross income from all production.

168.17 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
168.18 December 31, 2005.

168.19 Sec. 7. Minnesota Statutes 2004, section 298.01, subdivision 4b, is amended to read:

168.20 Subd. 4b. **Deductions.** For purposes of determining taxable income under  
168.21 subdivision 4, the deductions from gross income include only those expenses necessary  
168.22 to convert raw iron ore or taconite concentrates to marketable quality. Such expenses  
168.23 include costs associated with beneficiation and refinement but do not include expenses  
168.24 such as transportation, stockpiling, marketing, or marine insurance that are incurred after  
168.25 marketable iron ore or taconite pellets are produced. The allowable deductions from a  
168.26 mine or plant that mines and produces iron ore or taconite and one or more mineral or  
168.27 metal referred to in section 298.016 must be determined separately for the purposes of  
168.28 computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions  
168.29 may be combined on one occupation tax return to arrive at the deduction from gross  
168.30 income for all production.

168.31 **EFFECTIVE DATE.** This section is effective for tax years beginning after  
168.32 December 31, 2005.

168.33 Sec. 8. Minnesota Statutes 2004, section 298.01, is amended by adding a subdivision  
168.34 to read:

169.1 Subd. 6. Deductions applicable to mining both taconite and other ores; ratio

169.2 applied. If a person is engaged in the business of mining or producing both iron ores,  
3 taconite concentrates, or direct reduced ore, and other ores from the same mine or  
169.4 facility, that person must separately determine the mine value of (1) the iron ore, taconite  
169.5 concentrates, and direct reduced ore, and (2) the amount of gross proceeds from mining  
169.6 other ores in Minnesota. The ratio of mine value from iron ore, taconite concentrates,  
169.7 and direct reduced ore to gross proceeds from mining other ores must be applied to  
169.8 deductions common to both processes to determine taxable income for tax paid pursuant  
169.9 to subdivisions 3 and 4.

169.10 EFFECTIVE DATE. This section is effective for tax years beginning after

169.11 December 31, 2005.

169.12 Sec. 9. Minnesota Statutes 2004, section 298.17, is amended to read:

169.13 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

169.14 Subdivision 1. Apportionment under Constitution. All occupation taxes paid by  
169.15 persons, copartnerships, companies, joint stock companies, corporations, and associations,  
169.16 however or for whatever purpose organized, engaged in the business of mining or  
169.17 producing iron ore or other ores, when collected shall be apportioned and distributed in  
169.18 accordance with the Constitution of the state of Minnesota, article X, section 3, in the  
169.19 manner following: 90 percent shall be deposited in the state treasury and credited to  
169.20 the general fund of which four-ninths shall be used for the support of elementary and  
169.21 secondary schools; and ten percent of the proceeds of the tax imposed by this section  
169.22 shall be deposited in the state treasury and credited to the general fund for the general  
3 support of the university.

169.24 Subd. 2. Apportionment to IRRRB. Of the moneys apportioned to the general  
169.25 fund by this section, and not used for the support of elementary and secondary schools or  
169.26 the university, there is annually appropriated and credited to the Iron Range Resources and  
169.27 Rehabilitation Board account in the special revenue fund an amount equal to that which  
169.28 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable  
169.29 ton produced in the preceding calendar year, to be expended for the purposes of section  
169.30 298.22. The money appropriated pursuant to this section shall be used (1) to provide  
169.31 environmental development grants to local governments located within any county in  
169.32 region 3 as defined in governor's executive order number 60, issued on June 12, 1970,  
169.33 which does not contain a municipality qualifying pursuant to section 273.134, paragraph  
169.34 (b), or (2) to provide economic development loans or grants to businesses located within  
169.35 any such county, provided that the county board or an advisory group appointed by

170.1 the county board to provide recommendations on economic development shall make  
170.2 recommendations to the Iron Range Resources and Rehabilitation Board regarding the  
170.3 loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be  
170.4 made by May 15 annually.

170.5 Of the money allocated to Koochiching County, one-third must be paid to the  
170.6 Koochiching County Economic Development Commission.

170.7 Subd. 3. Apportionment to Minnesota minerals 21st century fund. The  
170.8 money apportioned to the general fund by this section that is not used for the support of  
170.9 elementary and secondary schools or the university, and that is not apportioned under  
170.10 subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund  
170.11 created in section 116J.423.

170.12 EFFECTIVE DATE. This section is effective for taxes paid in 2007 and subsequent  
170.13 years.

170.14 Sec. 10. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is  
170.15 amended to read:

170.16 Subdivision 1. **Creation; purposes.** A fund called the taconite environmental  
170.17 protection fund is created for the purpose of reclaiming, restoring and enhancing those  
170.18 areas of northeast Minnesota located within the taconite assistance area defined in section  
170.19 273.1341, that are adversely affected by the environmentally damaging operations  
170.20 involved in mining taconite and iron ore and producing iron ore concentrate and for the  
170.21 purpose of promoting the economic development of northeast Minnesota. The taconite  
170.22 environmental protection fund shall be used for the following purposes:

170.23 (a) to initiate investigations into matters the Iron Range Resources and Rehabilitation  
170.24 Board determines are in need of study and which will determine the environmental  
170.25 problems requiring remedial action;

170.26 (b) reclamation, restoration, or reforestation of minelands not otherwise provided  
170.27 for by state law;

170.28 (c) local economic development projects but only if those projects are approved by  
170.29 the board, and public works, including construction of sewer and water systems located  
170.30 within the taconite assistance area defined in section 273.1341;

170.31 (d) monitoring of mineral industry related health problems among mining  
170.32 employees; and

170.33 (e) local renewable energy investments undertaken in cooperation with local units of  
170.34 government and mineland areas reforestation, reclamation, or development projects. The  
170.35 projects must be approved by the Iron Range Resources and Rehabilitation Board and

171.1 located within the taconite assistance area as defined in section 273.1341. The board may  
171.2 enter into joint ventures with private or public entities to advance these project.

171.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

171.4 Sec. 11. Minnesota Statutes 2004, section 298.227, is amended to read:

171.5 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

171.6 An amount equal to that distributed pursuant to each taconite producer's taxable  
171.7 production and qualifying sales under section 298.28, subdivision 9a, shall be held by  
171.8 the Iron Range Resources and Rehabilitation Board in a separate taconite economic  
171.9 development fund for each taconite and direct reduced ore producer. Money from the  
171.10 fund for each producer shall be released by the commissioner after review by a joint  
171.11 committee consisting of an equal number of representatives of the salaried employees and  
171.12 the nonsalaried production and maintenance employees of that producer. The District 11  
171.13 director of the United States Steelworkers of America, on advice of each local employee  
171.14 president, shall select the employee members. In nonorganized operations, the employee  
171.15 committee shall be elected by the nonsalaried production and maintenance employees.  
171.16 The review must be completed no later than six months after the producer presents a  
171.17 proposal for expenditure of the funds to the committee. The funds held pursuant to this  
171.18 section may be released only for acquisition of equipment and facilities for the producer  
171.19 or for research and development in Minnesota on new mining, or taconite, iron, or steel  
171.20 production technology, but only if the producer provides a matching expenditure to be  
171.21 used for the same purpose of at least 50 percent of the distribution based on 14.7 cents  
171.22 per ton beginning with distributions in 2002. If a producer uses money from the fund for  
171.23 procuring haulage trucks, mobile equipment, and mining shovels more than once in a  
171.24 three-year period, the second and subsequent purchases of such pieces of equipment must  
171.25 be assembled by employees of the producer on the producer's property in this state. If a  
171.26 taconite production facility is sold after operations at the facility had ceased, any money  
171.27 remaining in the fund for the former producer may be released to the purchaser of the  
171.28 facility on the terms otherwise applicable to the former producer under this section. If a  
171.29 producer fails to provide matching funds for a proposed expenditure within six months  
171.30 after the commissioner approves release of the funds, the funds are available for release to  
171.31 another producer in proportion to the distribution provided and under the conditions of  
171.32 this section. Any portion of the fund which is not released by the commissioner within  
171.33 two years of its deposit in the fund shall be divided between the taconite environmental  
171.34 protection fund created in section 298.223 and the Douglas J. Johnson economic protection  
171.35 trust fund created in section 298.292 for placement in their respective special accounts.

172.1 Two-thirds of the unreleased funds shall be distributed to the taconite environmental  
172.2 protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

172.3 Sec. 12. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision  
172.4 to read:

172.5 Subd. 2a. **Cities and towns.** Two cents per taxable ton is allocated to the city or  
172.6 town in the county in which the land from which the taconite was mined or quarried or  
172.7 within which the concentrate was produced. If the mining, quarrying, and concentration,  
172.8 or different steps in either thereof are carried on in more than one taxing district, the  
172.9 commissioner shall apportion equitably the proceeds of the part of the tax going to cities  
172.10 and towns among the subdivisions by attributing 50 percent of the proceeds of the tax to  
172.11 the operation of mining or quarrying the taconite, and the remainder to the concentrating  
172.12 plant and to the processes of concentration, and with respect to each thereof giving due  
172.13 consideration to the relative extent of such operations performed in each taxing district.  
172.14 The commissioner's apportionment order is subject to review by the Tax Court upon  
172.15 petition by any of the interested taxing districts, in the same manner as other orders of  
172.16 the commissioner.

172.17 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
172.18 years.

172.19 Sec. 13. Minnesota Statutes 2004, section 298.28, subdivision 6, is amended to read:

172.20 Subd. 6. **Property tax relief.** (a) In 2002 and thereafter, 33.9 cents per taxable  
172.21 ton, less any amount required to be distributed under paragraphs (b) and (c), or section  
172.22 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties'  
172.23 fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

172.24 (b) If an electric power plant owned by and providing the primary source of power  
172.25 for a taxpayer mining and concentrating taconite is located in a county other than the  
172.26 county in which the mining and the concentrating processes are conducted, .1875 cent per  
172.27 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

172.28 (c) If an electric power plant owned by and providing the primary source of power  
172.29 for a taxpayer mining and concentrating taconite is located in a school district other than  
172.30 a school district in which the mining and concentrating processes are conducted, .4541  
172.31 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to  
172.32 the school district.

172.33 Sec. 14. Minnesota Statutes 2004, section 298.28, subdivision 8, is amended to read:

172.34 Subd. 8. **Range Association of Municipalities and Schools.** ~~20~~ .30 cent per  
172.35 taxable ton shall be paid to the Range Association of Municipalities and Schools, for



173.1 the purpose of providing an areawide approach to problems which demand coordinated  
173.2 and cooperative actions and which are common to those areas of northeast Minnesota  
173.3 affected by operations involved in mining iron ore and taconite and producing concentrate  
173.4 therefrom, and for the purpose of promoting the general welfare and economic  
173.5 development of the cities, towns and school districts within the iron range area of  
173.6 northeast Minnesota.

173.7 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
173.8 years.

173.9 Sec. 15. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision  
173.10 to read:

173.11 Subd. 9c. **Taconite environmental fund-renewable energy.** 4.4 cents per taxable  
173.12 ton is allocated to the taconite environmental protection fund for projects under section  
173.13 298.223, subdivision 1, paragraph (e).

173.14 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent  
173.15 years.

173.16 Sec. 16. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4,  
173.17 is amended to read:

173.18 Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions  
173.19 under section 298.28, subdivision 9b, and to make grants or loans as provided in this  
173.20 subdivision. Any grant or loan made under this subdivision must be approved by  
173.21 a majority of the members of the Iron Range Resources and Rehabilitation Board,  
173.22 established under section 298.22.

173.23 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia  
173.24 for improvements and repairs to the city's steam heating system.

173.25 (c) Distributions received in calendar year 2006 are allocated to a project of the  
173.26 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical  
173.27 generating plants to the use of biomass products, such as wood.

173.28 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to  
173.29 be used for the East Two Rivers project in or near the city of Tower.

173.30 (e) For distributions received in 2008 and later, ~~amounts may be allocated to joint~~  
173.31 ~~ventures with mining companies for reclamation of lands containing abandoned or worked~~  
173.32 ~~out mines to convert these lands to marketable properties for residential, recreational,~~  
173.33 ~~commercial, or other valuable uses~~ the first \$2,000,000 of the 2008 distribution must be  
173.34 paid to St. Louis County for deposit in its county road and bridge fund to be used for  
173.35 relocation of St. Louis County Road 715, commonly referred to as Pike River Road,

174.1 \$250,000 must be paid to the Hibbing Public Utilities Commission for a new well, and the  
174.2 remainder of the 2008 distribution and the full amount of the distributions in 2009 and  
174.3 subsequent years is allocated for projects under section 298.223, subdivision 1, clause (e).

174.4       Sec. 17. Minnesota Statutes 2004, section 298.2961, is amended by adding a  
174.5 subdivision to read:

174.6       Subd. 5. Public works and local economic development fund. For distributions in  
174.7 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would  
174.8 be allocated under section 298.28, subdivision 6. The following amounts are allocated to  
174.9 St. Louis County acting as the fiscal agent for the recipients for the specific purposes:

174.10       (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for  
174.11 construction of a combined wastewater facility;

174.12       (2) six cents per ton to the city of Eveleth to redesign and design and construct  
174.13 improvements to renovate its water treatment facility;

174.14       (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to  
174.15 design a central wastewater collection and treatment system;

174.16       (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;

174.17       (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;

174.18       (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;

174.19       (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and

174.20 Indiana Avenues and for repayment of a loan to the Minnesota Department of Employment  
174.21 and Economic Development;

174.22       (8) 0.4 cents per ton to the city of Keewatin for a new city well;

174.23       (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous  
174.24 materials center;

174.25       (10) 0.9 cents per ton to Aitkin County Growth for an economic development  
174.26 project for peat harvesting;

174.27       (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;

174.28       (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive  
174.29 plan;

174.30       (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;

174.31       (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake

174.32 Environmental Learning Center;

174.33       (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;

174.34       (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand

174.35 Rapids for planning for the North Central Research and Technology Laboratory;

174.36       (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;

175.1 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and  
175.2 (19) ten cents per ton to an economic development authority in a city through which  
175.3 State Highway 1 passes, or a city in Independent School District No. 2142 that has an  
175.4 active mine, for an economic development project approved by the Iron Range Resources  
175.5 and Rehabilitation Board.

175.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

175.7 Sec. 18. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision  
175.8 to read:

175.9 **Subd. 10. Tax may be imposed; Sylvan Township.** (a) If Cass County does not  
175.10 impose a tax under this section and approves imposition of the tax under this subdivision,  
175.11 the town of Sylvan in Cass County may impose the aggregate materials tax under this  
175.12 section.

175.13 (b) For purposes of exercising the powers contained in this section, the "town" is  
175.14 deemed to be the "county."

175.15 (c) All provisions in this section apply to the town of Sylvan, except that, in lieu  
175.16 of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must  
175.17 be retained by the town.

175.18 (d) If Cass County imposes an aggregate materials tax under this section, the tax  
175.19 imposed by the town of Sylvan under this subdivision is repealed on the effective date  
175.20 of the Cass County tax.

175.21 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
175.22 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions  
175.23 2 and 3.

175.24 Sec. 19. **TRANSITION PROVISIONS.**

175.25 Each person with an alternative minimum tax credit on December 31, 2005, pursuant  
175.26 to Minnesota Statutes 2004, section 298.01, may take that credit against occupation tax  
175.27 under Minnesota Statutes 2004, section 298.01, subdivisions 3d and 4e.

175.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

175.29 Sec. 20. **REPEALER.**

175.30 Minnesota Statutes 2004, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are  
175.31 repealed effective for tax years beginning after December 31, 2005.

175.32

175.33

## ARTICLE 14

### MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 256.482, subdivision 8, is amended to read:

Subd. 8. **Sunset.** Notwithstanding section 15.059, subdivision 5, the Council on Disability shall not sunset until June 30, ~~2007~~ 2011.

**EFFECTIVE DATE.** This section is effective upon final enactment.

Sec. 2. Minnesota Statutes 2004, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city ~~presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a~~ hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 3. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT WITH INTERNAL REVENUE SERVICE.**

The commissioner of revenue shall enter into an agreement with the United States Internal Revenue Service to participate in a tax processing program whereby the Internal Revenue Service processes electronically filed state returns together with the federal returns. If possible, the ability of taxpayers to file property tax refund claims under chapter 290A with state income tax returns must be preserved.

Sec. 4. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is amended to read:

Subd. 83. **International economic development zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within the international economic development zone designated under section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the improvements are:

(1) part of a regional distribution center as defined in section 469.321; or

177.1 (2) occupied by a qualified business as defined in section 469.321, that uses the  
177.2 improvements primarily in freight forwarding operations.

177.3 (b) ~~The exemption applies beginning for the first assessment year after designation of~~  
177.4 ~~the international economic development zone.~~ The exemption applies to each assessment  
177.5 year that begins during the duration of the international economic development zone. To  
177.6 be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the  
177.7 assessment year by a qualified business that has signed the business subsidy agreement  
177.8 by July 1 of the assessment year.

177.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

177.10 Sec. 5. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

177.11 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)

177.12 A person required to deduct and withhold from an employee a tax under section 290.92,  
177.13 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to  
177.14 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required  
177.15 to withhold tax under section 290.923, subdivision 2, determined without regard to  
177.16 section 290.92, subdivision 19, if the employee or payee had claimed no more than one  
177.17 withholding exemption, or who paid wages or made payments not subject to withholding  
177.18 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or  
177.19 person receiving royalty payments in excess of \$600, or who has entered into a voluntary  
177.20 withholding agreement with a payee under section 290.92, subdivision 20, must give  
177.21 every employee or person receiving royalty payments in respect to the remuneration paid  
177.22 by the person to the employee or person receiving royalty payments during the calendar  
177.23 year, on or before January 31 of the succeeding year, or, if employment is terminated  
177.24 before the close of the calendar year, within 30 days after the date of receipt of a written  
177.25 request from the employee if the 30-day period ends before January 31, a written statement  
177.26 showing the following:

177.27 (1) name of the person;

177.28 (2) the name of the employee or payee and the employee's or payee's Social  
177.29 Security account number;

177.30 (3) the total amount of wages as that term is defined in section 290.92, subdivision  
177.31 1, paragraph (1); the total amount of remuneration subject to withholding under section  
177.32 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the  
177.33 Internal Revenue Code; and the amount of royalties subject to withholding under section  
177.34 290.923, subdivision 2; and

178.1 (4) the total amount deducted and withheld as tax under section 290.92, subdivision  
178.2 2a or 3, or 290.923, subdivision 2.

178.3 (b) The statement required to be furnished by this paragraph with respect to any  
178.4 remuneration must be furnished at those times, must contain the information required, and  
178.5 must be in the form the commissioner prescribes.

178.6 (c) The commissioner may prescribe rules providing for reasonable extensions of  
178.7 time, not in excess of 30 days, to employers or payers required to give the statements to  
178.8 their employees or payees under this subdivision.

178.9 (d) A duplicate of any statement made under this subdivision and in accordance  
178.10 with rules prescribed by the commissioner, along with a reconciliation in the form the  
178.11 commissioner prescribes of the statements for the calendar year, including a reconciliation  
178.12 of the quarterly returns required to be filed under subdivision 1, must be filed with the  
178.13 commissioner on or before February 28 of the year after the payments were made.

178.14 (e) If an employer cancels the employer's Minnesota withholding account number  
178.15 required by section 290.92, subdivision 24, the information required by paragraph (d),  
178.16 must be filed with the commissioner within 30 days of the end of the quarter in which  
178.17 the employer cancels its account number.

178.18 (f) The employer must submit the statements required to be sent to the commissioner  
178.19 ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting~~  
178.20 ~~requirements of section 6011(e) of the Internal Revenue Code and the regulations issued~~  
178.21 ~~under it by electronic means.~~

178.22 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph  
178.23 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,  
178.24 paragraph (a), with the commissioner by electronic means.

178.25 **EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006.

178.26 Sec. 6. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2, is  
178.27 amended to read:

178.28 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed  
178.29 by this section:

178.30 (1) corporations exempt from tax under section 290.05;

178.31 (2) real estate investment trusts;

178.32 (3) regulated investment companies or a fund thereof; and

178.33 (4) entities having a valid election in effect under section 860D(b) of the Internal  
178.34 Revenue Code;

178.35 (5) town and farmers' mutual insurance companies;

179.1 (6) cooperatives organized under chapter 308A or 308B that provide housing  
179.2 exclusively to persons age 55 and over and are classified as homesteads under section  
179.3 273.124, subdivision 3;

179.4 (7) an entity, if for the taxable year all of its property is located in a job opportunity  
179.5 building zone designated under section 469.314 and all of its payroll is a job opportunity  
179.6 building zone payroll under section 469.310; and

179.7 (8) an entity, if for the taxable year all of its property is located in an international  
179.8 economic development zone designated under section 469.322, and all of its payroll is  
179.9 international economic development zone payroll under section 469.321. The exemption  
179.10 under this clause applies to taxable years beginning during the duration of the international  
179.11 economic development zone.

179.12 Entities not specifically exempted by this subdivision are subject to tax under this  
179.13 section, notwithstanding section 290.05.

179.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

179.15 Sec. 7. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3, is  
179.16 amended to read:

179.17 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales  
179.18 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts  
179.19 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the  
179.20 total sales or receipts apportioned or attributed to Minnesota pursuant to any other  
179.21 apportionment formula applicable to the taxpayer.

179.22 (b) "Minnesota property" means total Minnesota tangible property as provided in  
179.23 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,  
179.24 but does not include: (1) property located in a job opportunity building zone designated  
179.25 under section 469.314, or (2) property of a qualified business located in a biotechnology  
179.26 and health sciences industry zone designated under section 469.334, or (3) for taxable  
179.27 years beginning during the duration of the zone, property of a qualified business located  
179.28 in the international economic development zone designated under section 469.322.

179.29 Intangible property shall not be included in Minnesota property for purposes of this  
179.30 section. Taxpayers who do not utilize tangible property to apportion income shall  
179.31 nevertheless include Minnesota property for purposes of this section. On a return for  
179.32 a short taxable year, the amount of Minnesota property owned, as determined under  
179.33 section 290.191, shall be included in Minnesota property based on a fraction in which the  
179.34 numerator is the number of days in the short taxable year and the denominator is 365.

179.35 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
179.36 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls

180.1 under section 469.310, subdivision 8, ~~or~~ (2) biotechnology and health sciences industry  
180.2 zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning  
180.3 during the duration of the zone, international economic development zone payrolls under  
180.4 section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income  
180.5 shall nevertheless include Minnesota payrolls for purposes of this section.

180.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

180.7 Sec. 8. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

180.8 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under  
180.9 subdivision 1, a hospital or health care provider may claim an annual credit against the  
180.10 total amount of tax, if any, the hospital or health care provider owes for that calendar  
180.11 year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues  
180.12 for patient services used to fund expenditures for qualifying research conducted by an  
180.13 allowable research program. The amount of the credit shall not exceed the tax liability of  
180.14 the hospital or health care provider under sections 295.50 to 295.57.

180.15 (b) For purposes of this subdivision, the following requirements apply:

180.16 (1) expenditures must be for program costs of qualifying research conducted by  
180.17 an allowable research program;

180.18 (2) an allowable research program must be a formal program of medical and  
180.19 health care research conducted by an entity which is exempt under section 501(c)(3)  
180.20 of the Internal Revenue Code of 1986 or is owned and operated under authority of a  
180.21 governmental unit;

180.22 (3) qualifying research must:

180.23 (A) be approved in writing by the governing body of the hospital or health care  
180.24 provider which is taking the deduction under this subdivision;

180.25 (B) have as its purpose the development of new knowledge in basic or applied  
180.26 science relating to the diagnosis and treatment of conditions affecting the human body;

180.27 (C) be subject to review by individuals with expertise in the subject matter of the  
180.28 proposed study but who have no financial interest in the proposed study and are not  
180.29 involved in the conduct of the proposed study; and

180.30 (D) be subject to review and supervision by an institutional review board operating  
180.31 in conformity with federal regulations if the research involves human subjects or  
180.32 an institutional animal care and use committee operating in conformity with federal  
180.33 regulations if the research involves animal subjects. Research expenses are not exempt if  
180.34 the study is a routine evaluation of health care methods or products used in a particular  
180.35 setting conducted for the purpose of making a management decision. Costs of clinical



181.1 research activities paid directly for the benefit of an individual patient are excluded from  
181.2 this exemption. Basic research in fields including biochemistry, molecular biology, and  
181.3 physiology are also included if such programs are subject to a peer review process.

181.4 (c) No credit shall be allowed under this subdivision for any revenue received by the  
181.5 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a  
181.6 government or nongovernment source, on which the tax liability under section 295.52 is  
181.7 not imposed.

181.8 (d) The taxpayer shall apply for the credit under this section on the annual return  
181.9 under section 295.55, subdivision 5.

181.10 (e) Beginning September 1, 2001, if the actual or estimated amount paid under this  
181.11 section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance  
181.12 shall determine the rate of the research credit for the following calendar year to the nearest  
181.13 one-half percent so that refunds paid under this section will most closely equal ~~\$2,500,000~~  
181.14 \$7,000,000. The commissioner of finance shall publish in the State Register by October 1  
181.15 of each year the rate of the credit for the following calendar year. A determination under  
181.16 this section is not subject to the rulemaking provisions of chapter 14.

181.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
181.18 December 31, 2006.

181.19 Sec. 9. **[295.61] SPORTS MEMORABILIA TAX.**

181.20 Subdivision 1. Tax. A tax is imposed on each sale at wholesale of sports memorabilia  
181.21 in the state. The rate of the tax is 13 percent of the gross revenues from the sale.

181.22 Subd. 2. Definitions. (a) For purposes of this section, the following terms have  
181.23 the meanings given them.

181.24 (b) "Buyer" means any person who purchases sports memorabilia at wholesale.

181.25 (c) "Commissioner" means the commissioner of revenue.

181.26 (d) "Sale" means a transfer of title or possession of tangible personal property,  
181.27 whether absolutely or conditionally.

181.28 (e) "Sports memorabilia" means items available for sale to the public that are sold  
181.29 under a license granted by either:

181.30 (1) a professional baseball, football, basketball, or hockey league, association, or  
181.31 team;

181.32 (2) the National Collegiate Athletic Association (NCAA);

181.33 (3) an NCAA Division I college or university, excluding any multidivision  
181.34 classification NCAA member schools that have only one Division I sport; or

181.35 (4) an individual athlete.

182.1 Sports memorabilia includes:

182.2 (1) one-of-a-kind items related to sports figures, teams, or events;

182.3 (2) trading cards;

182.4 (3) photographs;

182.5 (4) clothing;

182.6 (5) sports event licensed items;

182.7 (6) sports equipment; and

182.8 (7) similar items.

182.9 (f) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section

182.10 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

182.11 (g) "Wholesaler" means any person making wholesale sales of sports memorabilia

182.12 to purchasers in the state.

182.13 Subd. 3. **Quarterly estimated payments.** (a) Each wholesaler must make estimated

182.14 payments of the tax for the calendar year to the commissioner in quarterly installments by

182.15 April 15, July 15, October 15, and January 15 of the following calendar year.

182.16 (b) Estimated tax payments are not required if the tax for the calendar year is less

182.17 than \$500.

182.18 (c) An underpayment of estimated installments bears interest at the rate specified in

182.19 section 270C.40, from the due date of the payment until paid or until the due date of the

182.20 annual return at the rate specified in section 270C.40. An underpayment of an estimated

182.21 installment is the difference between the amount paid and the lesser of (1) 90 percent of

182.22 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues

182.23 received during the quarter.

182.24 Subd. 4. **Electronic funds-transfer payments.** A taxpayer with an aggregate tax

182.25 liability of \$120,000 or more during a fiscal year ending June 30, must remit all liabilities

182.26 by funds-transfer as defined in section 336.4A-104, paragraph (a), in the next calendar

182.27 year. The funds-transfer payment date, as defined in section 336.4A-401, is on or before

182.28 the first funds-transfer business day after the date the tax is due.

182.29 Subd. 5. **Annual return.** The taxpayer must file an annual return reconciling the

182.30 estimated payments by March 15 of the following calendar year.

182.31 Subd. 6. **Form of returns.** The estimated payments and annual return must contain

182.32 the information and be in the form prescribed by the commissioner.

182.33 Subd. 7. **Use tax.** If the tax is not paid under this section, a tax is imposed on

182.34 possession for sale or use of sports memorabilia in the state. The rate of tax equals the rate

182.35 under this section, and must be paid by the possessor of the items.

183.1 Subd. 8. Application of other chapters. Unless specifically provided otherwise by  
183.2 this section, the enforcement, interest, and penalty provisions under chapter 270C, appeal  
183.3 provisions in sections 289A.43 and 289A.65, criminal penalties under section 289A.63,  
183.4 refund provisions in section 289A.50, and collection and rulemaking provisions under  
183.5 chapter 270C, apply to the tax under this section.

183.6 Subd. 9. Disposition of revenues. The commissioner shall deposit all revenues,  
183.7 including interest and penalties, derived from the tax imposed under this section in the  
183.8 state treasury. A portion of the proceeds from the tax imposed in subdivision 1 are  
183.9 intended to fund the continuation of the Council on Disability.

183.10 EFFECTIVE DATE. This section is effective for sales after December 31, 2006.

183.11 Sec. 10. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41,  
183.12 is amended to read:

183.13 Subd. 41. International economic development zones. (a) Purchases of tangible  
183.14 personal property or taxable services by a qualified business, as defined in section 469.321,  
183.15 are exempt if the property or services are primarily used or consumed in the international  
183.16 economic development zone designated under section 469.322. This exemption applies  
183.17 only if the purchase is made and delivery received after the business signed the business  
183.18 subsidy agreement required under chapter 469.

183.19 (b) Purchase and use of construction materials, supplies, and equipment incorporated  
183.20 into the construction of improvements to real property in the international economic  
183.21 development zone are exempt if the improvements after completion of construction are  
183.22 to be used as a regional distribution center as defined in section 469.321 or otherwise  
183.23 used in the conduct of freight forwarding activities of a qualified business as defined in  
183.24 section 469.321. This exemption applies regardless of whether the purchases are made  
183.25 by the business or a contractor.

183.26 (c) The exemptions under this subdivision apply to a local sales and use tax,  
183.27 regardless of whether the local tax is imposed on sales taxable under this chapter or in  
183.28 another law, ordinance, or charter provision.

183.29 (d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales  
183.30 ~~during the duration of the zone and after June 30, 2007, if the purchase was made and~~  
183.31 ~~delivery received after the business signs the business subsidy agreement required under~~  
183.32 ~~chapter 469 and purchases made after the date of final zone designation under section~~  
183.33 469.322, paragraph (c), and before the expiration of the zone under section 469.322,  
183.34 paragraph (d).

183.35 (e) For purchases made for improvements to real property to be occupied by a  
183.36 business that has not signed a business subsidy agreement at the time of the purchase, the

188.1 results of the study and a plan to implement them to the senate and house of representatives  
188.2 committees with jurisdiction over tax laws by February 1, 2007.

188.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

188.4 Sec. 19. **TRANSFER OF MONEY.**

188.5 Any money in the tax relief account under Minnesota Statutes, section 16A.1522,  
188.6 subdivision 4, on the day following final enactment of this act is transferred to the general  
188.7 fund.

188.8 Sec. 20. **COOK-ORR HOSPITAL DISTRICT; ADDITION OF TERRITORY.**

188.9 The board of the hospital district created under Laws 1988, chapter 645, may  
188.10 enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota  
188.11 Chippewa that would permit the reservation lands of the Bois Forte Band at Nett Lake  
188.12 and Lake Vermilion to be included in the territory of the hospital district. The agreement  
188.13 must establish the terms and conditions under which the territory would be so expanded,  
188.14 including the amount of or means for determining the amount of the contribution by the  
188.15 Bois Forte Band to the district.

188.16 Sec. 21. **APPROPRIATION.**

188.17 \$2,000,000 is appropriated from the general fund to the commissioner of public  
188.18 safety to be used to reimburse state and local law enforcement agencies for additional law  
188.19 enforcement efforts, focused on downtown Minneapolis."

188.20 Amend the title accordingly

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

188.22

188.23

(Committee Chair)

188.24

188.25

May 10, 2006 5/10/06  
(Date of Committee recommendation)