

SENATE
STATE OF MINNESOTA
EIGHTY-FOURTH LEGISLATURE

S.F. No. 3131

(SENATE AUTHORS: POGEMILLER and Belanger; Companion to H.F. No. 3479)

DATE	D-PG	OFFICIAL STATUS
03/15/2006	4048	Introduction and first reading
03/15/2006		Referred to Taxes
04/11/2006		Committee report: To pass as amended
04/11/2006		Second reading

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, gasoline, health care provider, cigarette and tobacco products, liquor, insurance premiums, aggregate removal, occupation, net proceeds, production taxes, the property tax refund, and other taxes and tax-related provisions; providing income tax credits; 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; modifying the state general levy; 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; providing for studies and reports; providing penalties; providing authorization to a racetrack; 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; 162.18, subdivision 1; 162.181, subdivision 1; 216B.2424, subdivision 5; 240.06, subdivision 5a, by adding a subdivision; 240.13, subdivision 6; 240.135; 240.30, subdivision 5; 272.02, subdivisions 12, 45, 54, 55, by adding a subdivision; 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; 290.10; 290.17, subdivision 1; 290.34, subdivision 1; 295.50, subdivision 4; 295.53, subdivisions 3, 4a; 296A.18, subdivision 4; 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; 297I.30, by adding

a subdivision; 298.17; 298.28, by adding a subdivision; 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; 462A.201, by adding a subdivision; 462A.33, by adding a subdivision; 469.035; 469.103, subdivision 2; 469.176, subdivision 3; 469.1763, subdivisions 3, 4; 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; 477A.013, subdivision 9; 477A.014, subdivision 1; 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; 275.025, subdivision 1; 276.04, subdivision 2; 284.07; 287.21, subdivision 1; 287.29, subdivision 1; 289A.121, subdivision 5; 290.01, subdivisions 6b, 19c, 19d; 290.0922, subdivisions 2, 3; 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; 298.223, subdivision 1; 298.2961, subdivision 4; 469.1763, subdivision 2; 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.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 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; 297F; 297I; 383D; 462A; 469; repealing Minnesota Statutes 2004, sections 297A.68, subdivisions 15, 18; 297I.05, subdivision 6; Minnesota Statutes 2005 Supplement, section 275.025, subdivision 4; 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;

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

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

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

4.8 Sec. 2. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

4.9 Subd. 28. **Credit Credits and refunds for transit passes.** (a) A taxpayer may
4.10 take a credit against the tax due under this chapter equal to 30 percent of the expense
4.11 incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of
4.12 the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section
4.13 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes
4.14 from the transit system operator, and resells them to the employees, the credit is based on
4.15 the amount of the difference between the price paid for the passes by the employer and
4.16 the amount charged to employees.

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

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

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

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

4.29 Sec. 3. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision
4.30 to read:

4.31 Subd. 33. **Film production credit.** (a) A taxpayer is allowed a credit against the
4.32 taxes due under this chapter equal to 15 percent of film production expenditures made in
4.33 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.

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

6.3 Subd. 34. Credit for military service. (a) An individual who was in active military
6.4 service in a designated area after September 11, 2001, may take a credit against the tax
6.5 due under this chapter equal to ... An individual may take this credit in the taxable year the
6.6 individual returns to Minnesota residency following active military service in a designated
6.7 area. If a Minnesota resident served in a designated area between September 11, 2001, and
6.8 December 31, 2005, the individual may take this credit in the taxable year beginning after
6.9 December 31, 2005, and before January 1, 2007.

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

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

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

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

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

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

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

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

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

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

6.33 Subd. 35. Beginning farmer management credit. (a) A taxpayer who is a
6.34 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. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

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

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

(c) The amount necessary to pay claims for the refund provided in this subdivision 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. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

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

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

8.7 (1) freestall barns;

8.8 (2) fences;

8.9 (3) watering facilities;

8.10 (4) feed storage and handling equipment;

8.11 (5) milking parlors;

8.12 (6) robotic equipment;

8.13 (7) scales;

8.14 (8) milk storage and cooling facilities;

8.15 (9) bulk tanks;

8.16 (10) manure pumping and storage facilities;

8.17 (11) digesters;

8.18 (12) equipment used to produce energy.

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

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

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

8.24 (c) The credit is limited to the liability for tax, as computed under this chapter,
8.25 for qualifying expenditures, other than expenditures for development of pasture, only
8.26 include amounts that are capitalized and deducted under either section 167 or 179 of the
8.27 Internal Revenue Code in computing federal taxable income. Qualifying expenditures
8.28 for development of pasture must not include land acquisition and are limited to soil
8.29 preparation expenses, seed costs, planting costs, and weed control, which are allowed once
8.30 for each acre owned or rented by the taxpayer for the use of dairy animals and developed
8.31 into pasture during the qualifying period. The amount of the unused credit which may
8.32 be added under this paragraph must not exceed the taxpayer's liability for tax less the
8.33 dairy investment credit for the taxable year.

8.34 (d) The qualifying period is that time after December 31, 2005, and before January
8.35 1, 2012.

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

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

Sec. 8. [290.0677] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

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

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

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

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

Subd. 2. Credit allowed. A taxpayer who incurs costs for the rehabilitation of eligible property may take a credit against the tax imposed under this chapter in an amount equal to 25 percent of the total costs of rehabilitation. Costs of rehabilitation include, but are not limited to, qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must exceed 50 percent of the total basis in the property at the time the rehabilitation activity begins and the rehabilitation must meet standards consistent with the standards of the Secretary of the Interior for rehabilitation as determined by the State Historic Preservation Office of the Minnesota Historical Society.

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

10.1 Subd. 4. Partnerships; multiple owners; transfers. (a) Credits granted to a
10.2 partnership, a limited liability company taxed as a partnership, or multiple owners of
10.3 property shall be passed through to the partners, members, or owners, respectively, pro
10.4 rata or pursuant to an executed agreement among the partners, members, or owners
10.5 documenting an alternate distribution method.

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

10.13 Subd. 5. Process. To claim the credit, the taxpayer must apply to the State Historic
10.14 Preservation Office of the Minnesota Historical Society before a historic rehabilitation
10.15 project begins. The State Historic Preservation Office shall determine the amount of
10.16 eligible rehabilitation costs and whether the rehabilitation meets the standards of the
10.17 United States Department of the Interior. The State Historic Preservation Office shall issue
10.18 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach
10.19 the certificate to any income tax return on which the credit is claimed. The State Historic
10.20 Preservation Office of the Minnesota Historical Society may collect fees for applications
10.21 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed
10.22 the costs of administering the tax credit program.

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

10.26 (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a
10.27 certificate that is issued to the taxpayer according to procedures prescribed by the State
10.28 Historic Preservation Office with respect to the certified rehabilitation and which meets
10.29 the requirements of this paragraph. The face amount of the certificate must be equal to
10.30 the credit that would be allowable under subdivision 2 to the taxpayer with respect to
10.31 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending
10.32 institution, including a nondepository home mortgage lending institution, in connection
10.33 with a loan:

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

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

11.6 (1) the principal amount of the loan;

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

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

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

11.20 Sec. 9. Minnesota Statutes 2004, section 290.10, is amended to read:

11.21 **290.10 NONDEDUCTIBLE ITEMS.**

11.22 **Subdivision 1. Expenses, interest, and taxes.**

11.23 Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the
11.24 net income of a taxpayer no deduction shall in any case be allowed for expenses, interest
11.25 and taxes connected with or allocable against the production or receipt of all income not
11.26 included in the measure of the tax imposed by this chapter, except that for corporations
11.27 engaged in the business of mining or producing iron ore, the mining of which is subject to
11.28 the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the
11.29 deduction of expenses and other items to the extent that the expenses and other items are
11.30 allowable under this chapter and are not deductible, capitalizable, retainable in basis, or
11.31 taken into account by allowance or otherwise in computing the occupation tax and do not
11.32 exceed the amounts taken for federal income tax purposes for that year. Occupation
11.33 taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion
11.34 expenses may not be deducted under this clause.

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

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

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

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

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

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

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

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

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

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

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

12.25 **ARTICLE 2**

12.26 **SALES AND USE TAX**

12.27 **Section 1. Minnesota Statutes 2005 Supplement, section 270C.722, subdivision 2,**
12.28 **is amended to read:**

12.29 **Subd. 2. New permits after revocation. (a) The commissioner shall not issue a**
12.30 **new permit after revocation or reinstate a revoked permit unless the taxpayer applies for a**
12.31 **permit and provides reasonable evidence of intention to comply with the sales and use**
12.32 **tax laws and rules. The commissioner may require the applicant to provide security, in**
12.33 **addition to that authorized by section 297A.92, in an amount reasonably necessary to**
12.34 **ensure compliance with the sales and use tax laws and rules. If the commissioner issues**

13.1 or reinstates a permit not in conformance with the requirements of this subdivision or
13.2 applicable rules, the commissioner may cancel the permit upon notice to the permit holder.
13.3 The notice must be served by first class and certified mail at the permit holder's last known
13.4 address. The cancellation shall be effective immediately, subject to the right of the permit
13.5 holder to show that the permit was issued in conformance with the requirements of this
13.6 subdivision and applicable rules. Upon such showing, the permit must be reissued.

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

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

13.13 (1) an individual, if a revoked permit was issued to or in the name of an individual,
13.14 or a corporation or partnership, if a revoked permit was issued to or in the name of a
13.15 corporation or partnership; and

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

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

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

13.24 (b) Sale and purchase include:

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

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

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

13.33 (d) Sale and purchase include the preparing for a consideration of food.

13.34 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
13.35 to, the following:

- 14.1 (1) prepared food sold by the retailer;
- 14.2 (2) soft drinks;
- 14.3 (3) candy;
- 14.4 (4) dietary supplements; and
- 14.5 (5) all food sold through vending machines, except milk.
- 14.6 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
- 14.7 gas, water, or steam for use or consumption within this state.
- 14.8 (f) A sale and a purchase includes the transfer for a consideration of prewritten
- 14.9 computer software whether delivered electronically, by load and leave, or otherwise.
- 14.10 (g) A sale and a purchase includes the furnishing for a consideration of the following
- 14.11 services:
- 14.12 (1) the privilege of admission to places of amusement, recreational areas, or athletic
- 14.13 events, and the making available of amusement devices, tanning facilities, reducing
- 14.14 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;
- 14.15 (2) lodging and related services by a hotel, rooming house, resort, campground,
- 14.16 motel, or trailer camp and the granting of any similar license to use real property in a
- 14.17 specific facility, other than the renting or leasing of it for a continuous period of 30 days
- 14.18 or more under an enforceable written agreement that may not be terminated without
- 14.19 prior notice;
- 14.20 (3) nonresidential parking services, whether on a contractual, hourly, or other
- 14.21 periodic basis, except for parking at a meter;
- 14.22 (4) the granting of membership in a club, association, or other organization if:
- 14.23 (i) the club, association, or other organization makes available for the use of its
- 14.24 members sports and athletic facilities, without regard to whether a separate charge is
- 14.25 assessed for use of the facilities; and
- 14.26 (ii) use of the sports and athletic facility is not made available to the general public
- 14.27 on the same basis as it is made available to members.
- 14.28 Granting of membership means both onetime initiation fees and periodic membership
- 14.29 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
- 14.30 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
- 14.31 swimming pools; and other similar athletic or sports facilities;
- 14.32 (5) delivery of aggregate materials and concrete block by a third party if the delivery
- 14.33 would be subject to the sales tax if provided by the seller of the aggregate material or
- 14.34 concrete block; and
- 14.35 (6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

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

(vii) 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" 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 those entities that would be classified as members of an

16.1 affiliated group under United States Code, title 26, section 1504, and that are eligible to
16.2 file a consolidated tax return for federal income tax purposes.

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

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

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

16.13 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
16.14 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
16.15 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
16.16 65B.29, subdivision 1, clause (1).

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

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

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

16.29 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the
16.30 previous calendar year the lessor had no more than 20 vehicles available for lease that
16.31 would have been subject to tax under this section, or no more than \$50,000 in gross
16.32 receipts that would have been subject to tax under this section.

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

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

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

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

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

17.9 Subd. 33. **Recycled copier and printing papers.** Copier paper with a minimum
17.10 postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing
17.11 paper with a minimum of 30 percent postconsumer recycled content by weight is exempt.
17.12 Coated printing paper with a minimum of ten percent of postconsumer recycled content by
17.13 weight is exempt.

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

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

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

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

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

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

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

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

17.30 (6) products purchased by a state or a political subdivision of a state for use in motor
17.31 vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

17.32 (7) products purchased for use as fuel for a commuter rail system operating under
17.33 sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under

18.1 section 297A.62, subdivision 1, applied, and then refunded in the manner provided
18.2 in section 297A.75.

18.3 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
18.4 2006.

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

18.7 Subd. 42. **Commuter rail materials, supplies, and equipment.** Materials,
18.8 supplies, and equipment used or consumed in the construction, equipment, or improvement
18.9 of a commuter rail transportation system operated under sections 174.80 to 174.90 are
18.10 exempt. This exemption includes railroad cars, engines, and related equipment.

18.11 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
18.12 2006.

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

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

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

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

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

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

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

18.30 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
18.31 protection, if purchased by a law enforcement agency of the state or a political subdivision
18.32 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

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

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

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

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

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

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

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

19.23 Subd. 8. **Regionwide public safety radio communication system; products and**
19.24 **services.** Products and services including, but not limited to, end user equipment used
19.25 for construction, ownership, operation, maintenance, and enhancement of the backbone
19.26 system of the regionwide public safety radio communication system established under
19.27 sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone
19.28 system is defined in section 403.21, subdivision 9. This subdivision is effective for
19.29 purchases, sales, storage, use, or consumption for use in the first and second phases of the
19.30 system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and that portion of the~~
19.31 ~~third phase of the system that is located in the southeast district of the State Patrol and~~
19.32 ~~the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system~~
33 that is located in Itasca County.

19.34 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 exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

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

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

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

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

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

(6) a limited partnership in which either:

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

(ii) the managing partner is an entity under clause (4) and makes the following disclosures in writing to an entity under clause (1) or (2):

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

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

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

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

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

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

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

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under

21.1 section 42 of the Internal Revenue Code regardless of whether the project actually applies
21.2 for or receives a low-income housing credit;

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

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

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

21.10 (1) the total gross square footage of units subject to the income limits under section
21.11 273.126, the financing for the project, the federal low-income housing tax credit, revenue
21.12 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable
21.13 to the project; and

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

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

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

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

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

21.25 (1) utilize between 12 and 16 turbine generators at a dam site existing on March
21.26 31, 1994;

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

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

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

Sec. 12. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. When the city council determines that the taxes imposed under this subdivision at a rate of three-quarters of one percent have produced revenue sufficient to pay debt service on bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued for capital improvements for a new arena at the Duluth Entertainment and Convention Center, the rate of tax under this subdivision shall be reduced by three-quarters of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

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

Sec. 13. Laws 1996, chapter 471, article 2, section 29, is amended to read:

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

Subdivision 1. **Sales and use tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax

23.1 of up to one percent on sales ~~transactions~~, storage, and use taxable pursuant to Minnesota
23.2 Statutes, chapter 297A, that occur within the city.

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

23.5 (1) extending a sewer interceptor line;

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

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

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

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

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

23.18 (3) extension of a regional trunk sewer.

23.19 (d) Authorized expenses include, but are not limited to, acquiring property; paying
23.20 construction, administrative, and operating expenses related to the development of the
23.21 projects listed in paragraph (c); paying debt service on bonds or other obligations,
23.22 including lease obligations, issued to finance construction, expansion, or improvement of
23.23 the projects listed in paragraph (c); and other compatible uses, including but not limited to,
23.24 parking, lighting, and landscaping.

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

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

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

23.35 Subd. 3. **Enforcement; collection; and administration of taxes.** A sales tax
23.36 imposed under this section must be reported and paid to the commissioner of revenue

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.

25.1 Sec. 14. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to
25.2 read:

25.3 Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section
25.4 297A.48, subdivision 1a, 477A.016, or any other provision of law, ordinance, or city
25.5 charter, if approved by the city voters at the first municipal general election held after the
25.6 date of final enactment of this act or at a special election held November 2, 1999, the city
25.7 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent
25.8 for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota
25.9 Statutes, section 297A.48 297A.99, govern the imposition, administration, collection, and
25.10 enforcement of the tax authorized under this subdivision.

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

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

25.18 Sec. 15. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to
25.19 read:

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

25.23 (1) streets; and

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

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

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

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

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

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

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

(c) 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.

(d) For projects described in subdivision 3, paragraph (a), the aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds. For projects described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

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

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

Sec. 17. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision 3, is amended to read:

Subd. 3. Use of revenues. Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation contained in the Minnesota Department of Transportation's Winona Intermodal study dated June 2002 and in the resolution approved by the city council on January 3, 2005, and

27.1 all or a part of the capital costs of flood control projects approved by resolution of the city
27.2 council on February 6, 2006, including securing or paying debt service on bonds issued
3 under subdivision 4, for the transportation and flood control projects and to pay the cost
27.4 of collecting and administering the tax. Authorized costs include, but are not limited to,
27.5 acquiring property and paying construction and engineering costs related to the projects.
27.6

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

27.10 Sec. 18. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision
27.11 1, is amended to read:

12
27.13 Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes,
27.14 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by
27.15 the voters pursuant to Minnesota Statutes, section 297A.99, at ~~the next~~ a general election
27.16 held before January 1, 2008, the city of Worthington may impose by ordinance a sales
27.17 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.
27.18 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section
27.19 297A.99, govern the imposition, administration, collection, and enforcement of the tax
27.20 authorized under this subdivision.
27.21

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

27.23 Sec. 19. **CITY OF AUSTIN; TAXES AUTHORIZED.**

27.24 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section
27.25 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
27.26 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or
27.27 special election held for that purpose before January 1, 2007, the city of Austin may
27.28 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose
27.29 specified in subdivision 2. Except as otherwise provided in this section, the provisions of
27.30 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
27.31 and enforcement of the tax authorized under this subdivision.

27.32 Subd. 2. Use of revenues. Revenues received from taxes authorized by subdivision
27.33 1 must be used by the city of Austin to pay all or part of the capital or administrative costs

of flood mitigation projects in the city of Austin. Authorized expenses include, but are not limited to, acquiring property and paying construction and engineering expenses related to the flood mitigation projects.

Subd. 3. Bonding authority. Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Austin may issue without an additional election general obligation bonds of the city in an amount not to exceed \$14,000,000 to finance the costs for 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 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 Austin City Council determines that the amount described in subdivision 2 has been received from the tax to finance the capital and administrative costs for the projects specified in subdivision 2, and to repay or retire at maturity, the principal, interest, and premium due on any bonds issued for the projects under subdivision 3.

Any funds remaining after completion of the projects specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3, 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 Austin with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. CITY OF BAXTER; TAXES AUTHORIZED.

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

Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax

29.1 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any
29.2 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

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

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

29.18 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
29.19 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter
29.20 City Council first determines that the amount of revenues raised from the taxes to pay for
29.21 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the
29.22 projects under subdivision 3. Any funds remaining after the expiration of the taxes and
29.23 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The
4 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of
29.25 Baxter so determines by ordinance.

29.26 EFFECTIVE DATE. This section is effective the day after compliance by
29.27 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,
29.28 subdivision 3.

29.29 **Sec. 21. CITY OF BRAINERD; TAXES AUTHORIZED.**

29.30 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
29.31 section 477A.016, or any other provision of law, ordinance, or city charter, contingent
29.32 on the approval of the voters on the November 7, 2006, referendum, and pursuant to
3 Minnesota Statutes, section 297A.99, the city of Brainerd may impose by ordinance a sales
29.34 and use tax of one-half of one percent for the purposes specified in subdivision 3. The

provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this section.

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

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

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

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

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

Sec. 22. CITY OF BREEZY POINT; TAXES AUTHORIZED.

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

31.8 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
31.9 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
31.10 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an
31.11 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired
31.12 from any person engaged within the city of Breezy Point in the business of selling motor
31.13 vehicles at retail.

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

31.19 Subd. 4. Bonds. The city of Breezy Point, pursuant to the approval of the voters at
31.20 the referendum authorizing the imposition of the taxes in this section, may issue general
31.21 obligation bonds of the city, in one or more series, in the aggregate principal amount not to
31.22 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented
31.23 by the bonds is not included in computing any debt limitations applicable to the city, and
31.24 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of
31.25 and interest on the bonds is not subject to any levy limitation or included in computing or
31.26 applying any levy limitation applicable to the city.

31.27 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
31.28 expire 15 years after the imposition of the tax or when the Breezy Point City Council
31.29 first determines that the amount of revenues raised from the taxes to pay for the projects
31.30 equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under
31.31 subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes
31.32 and retirement of the bonds may be placed in the general fund or in a capital project fund
31.33 of the city of Breezy Point. The taxes imposed under subdivisions 1 and 2 may expire
31.34 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 Breezy Point with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. CITY OF CLOQUET; 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, or at a special election held for this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. Except as 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. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

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

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

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

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

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

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

33.1 (c) The debt represented by the bonds is not included in computing any debt
33.2 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
33.3 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

33.4 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
33.5 expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient
33.6 funds have been received from the taxes to finance the capital and administrative costs of
33.7 the improvements described in subdivision 3, plus the additional amount needed to pay
33.8 the costs related to issuance of bonds under subdivision 4, including interest on the bonds.
33.9 Any funds remaining after completion of the project and retirement or redemption of the
33.10 bonds may be placed in the general fund of the city. The taxes imposed under subdivisions
33.11 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

33.15 **Sec. 24. CITY OF ELY; TAXES AUTHORIZED.**

33.16 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section
33.17 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
33.18 voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by
33.19 ordinance a sales and use tax of up to one percent for the purposes specified in subdivision
33.20 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes,
33.21 section 297A.99, govern the imposition, administration, collection, and enforcement of
33.22 the tax authorized under this subdivision.

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

- 33.25 (1) land acquisition and site development;
33.26 (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
33.27 (3) development or redevelopment activities in the central business district of Ely;
33.28 (4) business park development;
33.29 (5) development of a small business incubator;
33.30 (6) development of a technology center; and
33.31 (7) improvements to the Ely Community Center and City Hall needed to bring them
33.32 into compliance with the Americans with Disabilities Act.

33.33 Subd. 3. Bonding authority. The city of Ely may issue bonds in an amount not
33.34 to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital
33.35 expenditures and improvements authorized by the referendum under subdivision 4. An

34.1 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.
34.2 The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section
34.3 275.60 or 275.61. The debt represented by the bonds must not be included in computing
34.4 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
34.5 Statutes, section 475.61, to pay the principal or any interest on the bonds and must not
34.6 be subject to any levy limitation.

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

34.17 **EFFECTIVE DATE.** This section is effective the day after compliance by the
34.18 governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions
34.19 2 and 3.

34.20 **Sec. 25. CITY OF LUVERNE; TAXES AUTHORIZED.**

34.21 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
34.22 section 477A.016, or any other provision of law, ordinance, or city charter, if approved
34.23 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may
34.24 impose by ordinance a sales and use tax of one-half of one percent for the purposes
34.25 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern
34.26 the imposition, administration, collection, and enforcement of the tax authorized under
34.27 this subdivision.

34.28 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
34.29 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
34.30 Luverne may impose by ordinance, for the purposes specified in subdivision 3, an excise
34.31 tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from
34.32 any person engaged within the city in the business of selling motor vehicles at retail.

34.33 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by
34.34 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the taxes
34.35 and to pay all or part of the expenses for the following projects:

35.1 (1) capital improvements and renovation of the Historic Palace Theatre in an amount
35.2 not to exceed \$3,000,000; and

35.3 (2) capital improvements and renovation of a vacated community hospital for the
35.4 Minnesota West Community and Technical Collegé, not to exceed \$3,000,000.

35.5 Authorized expenses include, but are not limited to, acquiring property and paying
35.6 construction expenses related to the projects, and paying debt service on bonds or other
35.7 obligations issued to finance the acquisition and improvements.

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

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

35.24 EFFECTIVE DATE. This section is effective the day after compliance by the
35.25 governing body of the city of Luverne with Minnesota Statutes, section 645.021,
35.26 subdivision 3.

35.27 **Sec. 26. CITY OF MEDFORD; SALES AND USE TAX.**

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

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

36.7 Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is
36.8 approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475,
36.9 to pay the capital and administrative expenses for the improvement projects authorized
36.10 under subdivision 2. The total amount of bonds issued for the projects listed in subdivision
36.11 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under
36.12 Minnesota Statutes, section 475.58, is not required.

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

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

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

36.28 **Sec. 27. CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

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

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

37.3 (1) the local share of the marked Trunk Highway 14/County State-Aid Highway
37.4 41 interchange project, including a connection to the North Port Industrial Park and trail
37.5 connections to the scenic byway along the Minnesota River, the Nicollet County Park,
37.6 existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

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

37.9 (3) riverfront redevelopment projects; and

37.10 (4) lake improvement projects.

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

37.13 Subd. 3. Bonds. (a) The city of North Mankato, if approved by voters pursuant to
37.14 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter
37.15 475, to pay capital and administrative expenses for the projects described in subdivision 2,
37.16 in an amount that does not exceed \$6,000,000. A separate election to approve the bonds
37.17 under Minnesota Statutes, section 475.58, is not required.

37.18 (b) The debt represented by the bonds is not included in computing any debt
37.19 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
37.20 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

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

37.30 EFFECTIVE DATE. This section is effective the day after compliance by the
37.31 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,
37.32 subdivision 3.

37.33 Sec. 28. CITY OF OWATONNA; TAXES AUTHORIZED.

37.34 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
37.35 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 Owatonna may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

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

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

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

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

Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) ten years, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 3 first equals or exceeds the amount authorized to be spent for each project plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4,

39.1 including interest on the bonds. Any funds remaining after completion of the projects
39.2 and retirement or redemption of the bonds shall be placed in a capital project fund of
39.3 the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the
39.4 city so determines by ordinance.

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

39.8 **Sec. 29. CITY OF PARK RAPIDS.**

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

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

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

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

39.27 (3) park improvements.

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

39.32 Subd. 3. **Bonds.** Pursuant to the approval of the city voters to impose the tax
39.33 authorized in subdivision 1, the city of Park Rapids may issue without an additional
39.34 election general obligation bonds of the city to pay capital and administrative expenses
39.35 for the acquisition, construction, improvement, and development of the projects specified

40.1 in subdivision 2. The debt represented by the bonds must not be included in computing
40.2 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
40.3 Statutes, section 475.61, to pay the principal or any interest on the bonds must not be
40.4 subject to any levy limitations or be included in computing or applying any levy limitation
40.5 applicable to the city.

40.6 Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires July
40.7 1, 2025. Any funds remaining after completion of the projects specified in subdivision
40.8 2 and retirement or redemption of the bonds may be placed in the general fund of the
40.9 city. The tax imposed under subdivision 1 may expire at an earlier time if the city so
40.10 determines by ordinance.

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

40.14 **Sec. 30. THIEF RIVER FALLS COMMUNITY CENTER.**

40.15 The city of Thief River Falls may incorporate or authorize the incorporation of a
40.16 nonprofit corporation to operate a community or regional center in the city. A nonprofit
40.17 corporation incorporated under this section is exempt from payment of sales and use tax
40.18 on materials, equipment, and supplies consumed or incorporated into the construction of
40.19 the community or regional center. The exemption under this section applies to purchases
40.20 by the nonprofit corporation, a contractor, subcontractor, or builder. A contractor,
40.21 subcontractor, or builder that does not pay sales tax on purchases for construction of the
40.22 community or regional center shall not charge sales or use tax to the nonprofit corporation.
40.23 The nonprofit corporation may file a claim for refund for any sales taxes paid on the
40.24 construction costs of the community or regional center, and the commissioner of revenue
40.25 shall pay the refunded amount directly to the nonprofit corporation.

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

40.28 **ARTICLE 3**

40.29 **FOREIGN OPERATING CORPORATIONS**

40.30 **Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b,**
40.31 **is amended to read:**

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

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

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

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

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

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

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

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

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

42.1 (2) interest not subject to federal tax upon obligations of: the United States, its
42.2 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
42.3 state, any of its political or governmental subdivisions, any of its municipalities, or any
42.4 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
42.5 tribal governments;

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

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

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

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

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

42.17 (8) the exempt foreign trade income of a foreign sales corporation under sections
42.18 921(a) and 291 of the Internal Revenue Code;

42.19 (9) the amount of percentage depletion deducted under sections 611 through 614 and
42.20 291 of the Internal Revenue Code;

42.21 (10) for certified pollution control facilities placed in service in a taxable year
42.22 beginning before December 31, 1986, and for which amortization deductions were elected
42.23 under section 169 of the Internal Revenue Code of 1954, as amended through December
42.24 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
42.25 income for those facilities;

42.26 (11) the amount of any deemed dividend from a foreign operating corporation
42.27 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
42.28 shall be reduced by the amount of the addition to income required by clauses (19), (20),
42.29 (21), and (22);

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

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

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

43.4 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
43.5 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
43.6 has an activity that in the taxable year generates a deduction for depreciation under
43.7 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
43.8 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
43.9 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
43.10 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
43.11 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
43.12 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
43.13 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

43.14 (16) 80 percent of the amount by which the deduction allowed by section 179 of the
43.15 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
43.16 Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

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

43.29 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
43.30 transactions;

43.31 (iii) royalty, patent, technical, and copyright fees;

43.32 (iv) licensing fees; and

43.33 (v) other similar expenses and costs..

43.34 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
43.35 applications, trade names, trademarks, service marks, copyrights, mask works, trade
43.36 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:

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

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

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

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

45.12 (4) amounts disallowed for intangible drilling costs due to differences between
45.13 this chapter and the Internal Revenue Code in taxable years beginning before January
45.14 1, 1987, as follows:

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

45.18 (ii) to the extent the disallowed costs are not represented by physical property, an
45.19 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
45.20 290.09, subdivision 8;

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

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

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

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

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

45.35 (6) an amount for interest and expenses relating to income not taxable for federal
45.36 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.

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 4

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, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$25,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;

49.1 (5) assistance provided for the sole purpose of renovating old or decaying building
49.2 stock or bringing it up to code and assistance provided for designated historic preservation
49.3 districts, provided that the assistance is equal to or less than 50 percent of the total cost;

49.4 (6) assistance to provide job readiness and training services if the sole purpose of
49.5 the assistance is to provide those services;

49.6 (7) assistance for housing;

49.7 (8) assistance for pollution control or abatement, including assistance for a tax
49.8 increment financing hazardous substance subdistrict as defined under section 469.174,
49.9 subdivision 23;

49.10 (9) assistance for energy conservation;

49.11 (10) tax reductions resulting from conformity with federal tax law;

49.12 (11) workers' compensation and unemployment insurance;

49.13 (12) benefits derived from regulation;

49.14 (13) indirect benefits derived from assistance to educational institutions;

49.15 (14) funds from bonds allocated under chapter 474A, bonds issued to refund
49.16 outstanding bonds, and bonds issued for the benefit of an organization described in section
49.17 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

49.18 (15) assistance for a collaboration between a Minnesota higher education institution
49.19 and a business;

49.20 (16) assistance for a tax increment financing soils condition district as defined under
49.21 section 469.174, subdivision 19;

49.22 (17) redevelopment when the recipient's investment in the purchase of the site
49.23 and in site preparation is 70 percent or more of the assessor's current year's estimated
49.24 market value;

49.25 (18) general changes in tax increment financing law and other general tax law
49.26 changes of a principally technical nature;

49.27 (19) federal assistance until the assistance has been repaid to, and reinvested by, the
49.28 state or local government agency;

49.29 (20) funds from dock and wharf bonds issued by a seaway port authority;

49.30 (21) business loans and loan guarantees of \$75,000 or less; ~~and~~

49.31 (22) federal loan funds provided through the United States Department of
49.32 Commerce, Economic Development Administration; and

49.33 (23) property tax abatements granted under section 469.1813 to property that is
49.34 subject to valuation under Minnesota Rules, chapter 8100.

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

50.1 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
50.2 district equals the sum of the first tier equalized debt service levy and the second tier
50.3 equalized debt service levy.

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

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

50.9 (2) ~~\$3,200~~ \$5,000.

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

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

50.15 (2) \$8,000.

50.16 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

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

50.18 **123B.54 DEBT SERVICE APPROPRIATION.**

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

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

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

50.26 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal
50.27 year 2007 and later, a district may levy an amount not more than the product of its
50.28 operating capital revenue for the fiscal year times the lesser of one or the ratio of its
50.29 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital
50.30 equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year
50.31 2006, ~~and \$10,700 for fiscal year 2007,~~ and \$22,222 for fiscal year 2008 and later.

50.32 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
50.33 and later.

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

51.2 Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4,
51.3 that operates a nuclear-powered electric generating plant within this state must construct
51.4 and operate, purchase, or contract to construct and operate (1) by December 31, 1998,
51.5 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop
51.6 biomass scheduled to be operational by December 31, 2001; and (2) by December 31,
51.7 1998, an additional 75 megawatts of installed capacity so generated scheduled to be
51.8 operational by December 31, 2002.

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

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

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

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

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

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

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

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

51.32 (2) a proposal for a new facility to satisfy more than ten but not more than 20
51.33 megawatts of the electrical generation requirements by a small business-sponsored
51.34 independent power producer facility to be located within the northern quarter of the state,
51.35 which means the area located north of Constitutional Route No. 8 as described in section
51.36 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped

52.1 wood, or brush to generate electricity. A facility described in this clause is not required
52.2 to utilize biomass complying with the definition in subdivision 1, but must be under
52.3 construction by December 31, 2005.

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

52.11 (g) The commission shall finally approve, modify, or disapprove no later than July
52.12 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the
52.13 mandate set forth in this subdivision.

52.14 (h) If a public utility subject to this section exercises an option to increase the
52.15 generating capacity of a project in a contract approved by the commission prior to April
52.16 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the
52.17 commission by September 1, 2000, that it has exercised the option and include in the
52.18 notice the amount of additional megawatts to be generated under the option exercised.
52.19 Any review by the commission of the project after exercise of such an option shall be
52.20 based on the same criteria used to review the existing contract.

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

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

52.25 Sec. 6. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

52.26 Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of ~~the~~
52.27 ~~Department of~~ natural resources shall determine lands in the state which are native prairie
52.28 and shall notify the county assessor of each county in which the lands are located. Pasture
52.29 land used for livestock grazing purposes shall not be considered native prairie for the
52.30 purposes of this subdivision unless the pasture is covered by a grazing plan approved by
52.31 the commissioner of natural resources. Upon receipt of an application for the exemption
52.32 provided in this subdivision for lands for which the assessor has no determination from
52.33 the commissioner of natural resources, the assessor shall refer the application to the
52.34 commissioner of natural resources who shall determine within ~~30~~ 180 days whether the
52.35 land is native prairie and notify the county assessor of the decision. Exemption of native

53.1 prairie pursuant to this subdivision shall not grant the public any additional or greater right
53.2 of access to the native prairie or diminish any right of ownership to it.

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

53.5 Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

53.6 Subd. 45. **Biomass electrical generation facility; personal property.**

53.7 Notwithstanding subdivision 9, clause (a), attached machinery and other personal property
53.8 which is part of an electrical generating facility that meets the requirements of this
53.9 subdivision is exempt. At the time of construction, the facility must:

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

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

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

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

53.21 Sec. 8. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

53.22 Subd. 54. **Small biomass electric generation facility; personal property. (a)**

53.23 Subject to paragraph (b), notwithstanding subdivision 9, clause (a), attached machinery
53.24 and other personal property which is part of an electrical generating facility that meets the
53.25 requirements of this subdivision is exempt. At the time of construction the facility must:

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

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

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

53.30 Construction of the facility must be commenced after January 1, 2002, and before
53.31 ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include
53.32 electric transmission lines and interconnections or gas pipelines and interconnections
53.33 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. 9. 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 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. 10. 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

55.1 of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the
55.2 requirements of this subdivision is exempt. At the time of construction, the facility must:

55.3 (1) utilize between 12 and 16 turbine generators at a dam site existing on March
55.4 31, 1994;

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

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

55.8 Construction of the facility must be commenced after April 30, 2006, and
55.9 before January 1, 2009. Property eligible for this exemption does not include electric
55.10 transmission lines and interconnections or gas pipelines and interconnections appurtenant
55.11 to the property or the facility.

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

55.14 Sec. 11. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision
55.15 to read:

55.16 **Subd. 23. First tier valuation limit; agricultural homestead property. (a)**
55.17 Beginning with assessment year 2006, the commissioner of revenue shall annually certify
55.18 the first tier limit for agricultural homestead property as the product of (i) \$600,000, and
55.19 (ii) the ratio of the statewide average taxable market value of agricultural property per acre
55.20 of deeded farm land in the preceding assessment year to the statewide average taxable
55.21 market value of agricultural property per acre of deeded farm land for assessment year
55.22 1999. The limit shall be rounded to the nearest \$10,000.

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

55.28 (c) The commissioner shall certify the limit by January 2 of each assessment year,
55.29 except that for assessment year 2006 the commissioner shall certify the limit by June
55.30 1, 2006.

55.31 **EFFECTIVE DATE.** This section is effective for assessment year 2006 and
55.32 thereafter.

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

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

56.11 (b) In the case of a person who is absent solely because the person is on active duty
56.12 with the United States armed forces, homestead classification must be granted as provided
56.13 in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even if the
56.14 property has not been occupied as a homestead by the person or a member of the person's
56.15 family. To qualify for this classification, the person who acquires the property must notify
56.16 the assessor of the acquisition and of the person's absence due to military service. When
56.17 the person returns from military service and occupies the property as a homestead, the
56.18 person shall notify the assessor, who will provide for abatement of the difference between
56.19 the nonhomestead and homestead taxes for the current and two preceding years.

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

56.22 Sec. 13. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision
56.23 to read:

56.24 **Subd. 22. Annual registration of certain relative homesteads.** If the owner of
56.25 property or the owner's relative who occupies property that is classified as a homestead
56.26 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any
56.27 part of that property for a period that exceeds 31 consecutive days during the calendar
56.28 year, the recipient of the compensation must register the property with the city in which
56.29 it is located no later than 60 days after the initial rental period began. This requirement
56.30 applies to property located in a city that has a population over 25,000. Each such city must
56.31 maintain a file of these property registrations that is open to the public, and retain the
56.32 registrations for one year after the date of filing.

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

57.1 Sec. 14. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is
57.2 amended to read:

57.3 Subdivision 1. **Requirement.** Low-income rental property classified as class 4d
57.4 under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~
57.5 ~~75 percent of~~ for the units in the rental housing property that meet any of the following
57.6 qualifications:

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

57.9 (2) the units are rent-restricted and income-restricted units of a qualified low-income
57.10 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of
57.11 1986, as amended;

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

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

57.19 The restrictions must require assisted units to be occupied by residents whose
57.20 household income at the time of initial occupancy does not exceed 60 percent of the
57.21 greater of area or state median income, adjusted for family size, as determined by the
57.22 United States Department of Housing and Urban Development. The restriction must also
57.23 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of
57.24 area or state median income, adjusted for family size, as determined by the United States
57.25 Department of Housing and Urban Development.

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

57.28 Sec. 15. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

57.29 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any
57.30 improvements that is homesteaded. The market value of the house and garage and
57.31 immediately surrounding one acre of land has the same class rates as class 1a property
57.32 under subdivision 22. The value of the remaining land including improvements up to ~~and~~
57.33 ~~including \$600,000 market value~~ the first tier valuation limit of agricultural homestead
57.34 property has a net class rate of 0.55 percent of market value. The remaining property
57.35 ~~over \$600,000 market value~~ the first tier has a class rate of one percent of market value.

58.1 For purposes of this subdivision, the "first tier valuation limit of agricultural homestead
58.2 property" and "first tier" means the limit certified under section 273.11, subdivision 23.

58.3 (b) Class 2b property is (1) real estate, rural in character and used exclusively for
58.4 growing trees for timber, lumber, and wood and wood products; (2) real estate that
58.5 is not improved with a structure and is used exclusively for growing trees for timber,
58.6 lumber, and wood and wood products, if the owner has participated or is participating in
58.7 a cost-sharing program for afforestation, reforestation, or timber stand improvement on
58.8 that particular property, administered or coordinated by the commissioner of natural
58.9 resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or
58.10 public access area of a privately owned public use airport. Class 2b property has a net
58.11 class rate of one percent of market value.

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

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

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

58.31 Classification under this subdivision is not determinative for qualifying under
58.32 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

59.22 (1) wholesale and retail sales;

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

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

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

59.27 the assessor shall classify the part of the parcel used for agricultural purposes as class
59.28 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
59.29 use. The grading, sorting, and packaging of raw agricultural products for first sale is
59.30 considered an agricultural purpose. A greenhouse or other building where horticultural
59.31 or nursery products are grown that is also used for the conduct of retail sales must be
59.32 classified as agricultural if it is primarily used for the growing of horticultural or nursery
59.33 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
59.34 those products. Use of a greenhouse or building only for the display of already grown
59.35 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

Sec. 16. [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. 17. Minnesota Statutes 2005 Supplement, section 275.025, subdivision 1, is amended to read:

61.1 Subdivision 1. **Levy amount.** The state general levy is levied against
61.2 commercial-industrial property and seasonal residential recreational property, as defined
61.3 in this section. The state general levy base amount is \$592,000,000 for taxes payable in
61.4 2002. For taxes payable in subsequent years, 2006 on seasonal residential recreational
61.5 property, the levy base amount is \$32,935,134, and for subsequent years the levy base
61.6 amount for seasonal residential recreational property is increased each year by multiplying
61.7 the levy base amount for the prior year by the sum of one plus the rate of increase,
61.8 if any, in the implicit price deflator for government consumption expenditures and
61.9 gross investment for state and local governments prepared by the Bureau of Economic
61.10 Analysts of the United States Department of Commerce for the 12-month period ending
61.11 March 31 of the year prior to the year the taxes are payable. For taxes payable in 2007
61.12 and subsequent years on commercial industrial property, the tax is imposed under this
61.13 subdivision at the rate of the tax imposed under this subdivision for taxes payable in 2004.
61.14 The tax under this section is not treated as a local tax rate under section 469.177 and is not
61.15 the levy of a governmental unit under chapters 276A and 473F.

61.16 The commissioner shall increase or decrease the preliminary or final rate for a year
61.17 as necessary to account for errors and tax base changes that affected a preliminary or final
61.18 rate for either of the two preceding years. Adjustments are allowed to the extent that the
61.19 necessary information is available to the commissioner at the time the rates for a year must
61.20 be certified, and for the following reasons:

- 61.21 (1) an erroneous report of taxable value by a local official;
61.22 (2) an erroneous calculation by the commissioner; and
61.23 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
61.24 residential recreational property reported on the abstracts of tax lists submitted under
61.25 section 275.29 that was not reported on the abstracts of assessment submitted under
61.26 section 270C.89 for the same year.

61.27 The commissioner may, but need not, make adjustments if the total difference in the tax
61.28 levied for the year would be less than \$100,000.

61.29 Sec. 18. Minnesota Statutes 2005 Supplement, section 276.04, subdivision 2, is
61.30 amended to read:

61.31 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the
61.32 printing of the tax statements. The commissioner of revenue shall prescribe the form
61.33 of the property tax statement and its contents. The statement must contain a tabulated
61.34 statement of the dollar amount due to each taxing authority and the amount of the state
61.35 tax from the parcel of real property for which a particular tax statement is prepared. The

62.1 dollar amounts attributable to the county, the state tax, the voter approved school tax, the
62.2 other local school tax, the township or municipality, and the total of the metropolitan
62.3 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must
62.4 be separately stated. The amounts due all other special taxing districts, if any, may be
62.5 aggregated except that any levies made by the regional rail authorities in the county of
62.6 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
62.7 shall be listed on a separate line directly under the appropriate county's levy. If the county
62.8 levy under this paragraph includes an amount for a lake improvement district as defined
62.9 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be
62.10 separately stated from the remaining county levy amount. In the case of Ramsey County,
62.11 if the county levy under this paragraph includes an amount for public library service
62.12 under section 134.07, the amount attributable for that purpose may be separated from the
62.13 remaining county levy amount. The amount of the tax on homesteads qualifying under the
62.14 senior citizens' property tax deferral program under chapter 290B is the total amount of
62.15 property tax before subtraction of the deferred property tax amount. The amount of the
62.16 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also
62.17 be separately stated. The dollar amounts, including the dollar amount of any special
62.18 assessments, may be rounded to the nearest even whole dollar. For purposes of this section
62.19 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.
62.20 The amount of market value excluded under section 273.11, subdivision 16, if any, must
62.21 also be listed on the tax statement.

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

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

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

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

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

62.34 (4) a total of the following aids:

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

63.1 (ii) local government aids for cities, towns, and counties under sections 477A.011 to
63.2 477A.04; and

63.3 (iii) disparity reduction aid under section 273.1398;

63.4 (5) for homestead residential and agricultural properties, the credits under section
63.5 273.1384;

63.6 (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391;
63.7 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received
63.8 under section 273.135 must be separately stated and identified as "taconite tax relief"; and

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

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

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

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

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

63.29 Sec. 19. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

63.30 Subdivision 1. **Authority.** The governing body of a political subdivision may grant
63.31 an a current or prospective abatement, by contract or otherwise, of the taxes imposed by
63.32 the political subdivision on a parcel of property, which may include personal property
63.33 and machinery, or defer the payments of the taxes and abate the interest and penalty
63.34 that otherwise would apply, if:

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

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

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

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

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

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

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

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

64.12 ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of
64.13 50 percent or more in one year on the estimated market value of the parcel, other than
64.14 increase attributable to improvement of the parcel; or

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

64.18 Sec. 20. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6,
64.19 is amended to read:

64.20 Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a
64.21 period no longer than 15 years, except as provided under paragraph (b). The abatement
64.22 period will commence in the first year in which the abatement granted is either paid or
64.23 retained in accordance with section 469.1815, subdivision 2. The subdivision may specify
64.24 in the abatement resolution a shorter duration. If the resolution does not specify a period
64.25 of time, the abatement is for eight years. If an abatement has been granted to a parcel of
64.26 property and the period of the abatement has expired, the political subdivision that granted
64.27 the abatement may not grant another abatement for eight years after the expiration of the
64.28 first abatement. This prohibition does not apply to improvements added after and not
64.29 subject to the first abatement. Economic abatement agreements for real and personal
64.30 property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this
64.31 prohibition and may be granted successively.

64.32 (b) A political subdivision proposing to abate taxes for a parcel may request, in
64.33 writing, that the other political subdivisions in which the parcel is located grant an
64.34 abatement for the property. If one of the other political subdivisions declines, in writing,
64.35 to grant an abatement or if 90 days pass after receipt of the request to grant an abatement

65.1 without a written response from one of the political subdivisions, the duration limit
65.2 for an abatement for the parcel by the requesting political subdivision and any other
65.3 participating political subdivision is increased to 20 years. If the political subdivision
65.4 which declined to grant an abatement later grants an abatement for the parcel, the 20-year
65.5 duration limit is reduced by one year for each year that the declining political subdivision
65.6 grants an abatement for the parcel during the period of the abatement granted by the
65.7 requesting political subdivision. The duration limit may not be reduced below the limit
65.8 under paragraph (a).

65.9 Sec. 21. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to
65.10 read:

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

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

- 65.17 (1) manufacturing;
65.18 (2) agricultural processing;
65.19 (3) mining;
65.20 (4) research and development;
65.21 (5) warehousing; or
65.22 (6) qualified high technology.

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

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

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

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

65.34 (4) "Research and development" means qualified research as defined in section
65.35 41(d) of the Internal Revenue Code of 1986.

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

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

66.4 (A) computer hardware and software;

66.5 (B) data communications; and

66.6 (C) information technologies;

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

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

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

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

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

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

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

66.29 (d) The authority to grant new abatements under this subdivision expires on July 1,
66.30 2004, except that the authority to grant new abatements for real and personal property
66.31 subject to valuation under Minnesota Rules, chapter 8100, does not expire.

66.32 Sec. 22. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

66.33 Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes
66.34 abated by a political subdivision under this section may not exceed (1) ten percent of

67.1 the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision
67.2 does not apply to:

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

67.6 Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

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

67.11 Sec. 24. Minnesota Statutes 2004, section 469.1813, is amended by adding a
67.12 subdivision to read:

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

67.18 Sec. 25. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision
67.19 to read:

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

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

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

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

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

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

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

68.13 (d) The administrative auditor shall pay one-half of the reimbursement to the county
68.14 auditor of the county that contains the qualifying hospital on or before June 15 and the
68.15 remaining one-half of the reimbursement on or before November 15. The county auditor
68.16 receiving the payment shall disburse the reimbursement to the qualifying hospital within
68.17 15 days of receipt of the reimbursement.

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

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

68.24 **Sec. 26. PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL**
68.25 **DISTRICT.**

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

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

68.31 **Sec. 27. REPEALER.**

68.32 Minnesota Statutes 2005 Supplement, section 275.025, subdivision 4, is repealed.

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

ARTICLE 5

DEPARTMENT OF REVENUE

PROPERTY TAXES AND AIDS

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

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

69.13 The first \$500,000 of market value of class 1a property has a net class rate of
69.14 one percent of its market value; and the market value of class 1a property that exceeds
69.15 \$500,000 has a class rate of 1.25 percent of its market value.

69.16 (b) Class 1b property includes homestead real estate or homestead manufactured
69.17 homes used for the purposes of a homestead by

69.18 (1) any person who is blind as defined in section 256D.35, or the blind person and
69.19 the blind person's spouse; or

69.20 (2) any person, hereinafter referred to as "veteran," who:

69.21 (i) served in the active military or naval service of the United States; and

69.22 (ii) is entitled to compensation under the laws and regulations of the United States

69.23 for permanent and total service-connected disability due to the loss, or loss of use, by
69.24 reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both
69.25 lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or
69.26 a wheelchair; and

69.27 (iii) has acquired a special housing unit with special fixtures or movable facilities
69.28 made necessary by the nature of the veteran's disability, or the surviving spouse of the
69.29 deceased veteran for as long as the surviving spouse retains the special housing unit
69.30 as a homestead; or

69.31 (3) any person who is permanently and totally disabled.

69.32 Property is classified and assessed under clause (3) only if the government agency or
69.33 income-providing source certifies, upon the request of the homestead occupant, that the
69.34 homestead occupant satisfies the disability requirements of this paragraph.

70.1 Property is classified and assessed pursuant to clause (1) only if the commissioner of
70.2 revenue certifies to the assessor that the homestead occupant satisfies the requirements of
70.3 this paragraph.

70.4 Permanently and totally disabled for the purpose of this subdivision means a
70.5 condition which is permanent in nature and totally incapacitates the person from working
70.6 at an occupation which brings the person an income. The first \$32,000 market value of
70.7 class 1b property has a net class rate of .45 percent of its market value. The remaining
70.8 market value of class 1b property has a class rate using the rates for class 1a or class 2a
70.9 property, whichever is appropriate, of similar market value.

70.10 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
70.11 is devoted to temporary and seasonal residential occupancy for recreational purposes but
70.12 not devoted to commercial purposes for more than 250 days in the year preceding the
70.13 year of assessment, and that includes a portion used as a homestead by the owner, which
70.14 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
70.15 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
70.16 company that owns the resort even if the title to the homestead is held by the corporation,
70.17 partnership, or limited liability company. For purposes of this clause, property is devoted
70.18 to a commercial purpose on a specific day if any portion of the property, excluding the
70.19 portion used exclusively as a homestead, is used for residential occupancy and a fee
70.20 is charged for residential occupancy. The portion of the property used as a homestead
70.21 ~~by the owner has the same class rates as~~ is class 1a property under paragraph (a). The
70.22 remainder of the property is classified as follows: the first \$500,000 of market value is tier
70.23 I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III.
70.24 The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25
70.25 percent. If a class 1c resort property has any market value in tier III, the entire property
70.26 must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for
70.27 class 1c treatment under this paragraph.

70.28 (d) Class 1d property includes structures that meet all of the following criteria:

70.29 (1) the structure is located on property that is classified as agricultural property under
70.30 section 273.13, subdivision 23;

70.31 (2) the structure is occupied exclusively by seasonal farm workers during the time
70.32 when they work on that farm, and the occupants are not charged rent for the privilege of
70.33 occupying the property, provided that use of the structure for storage of farm equipment
70.34 and produce does not disqualify the property from classification under this paragraph;

70.35 (3) the structure meets all applicable health and safety requirements for the
70.36 appropriate season; and

71.1 (4) the structure is not salable as residential property because it does not comply
71.2 with local ordinances relating to location in relation to streets or roads.

71.3 The market value of class 1d property has the same class rates as class 1a property
71.4 under paragraph (a).

71.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
71.6 thereafter.

71.7 Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is
71.8 amended to read:

71.9 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more
71.10 units and used or held for use by the owner or by the tenants or lessees of the owner
71.11 as a residence for rental periods of 30 days or more, excluding property qualifying for
71.12 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other
71.13 than hospitals exempt under section 272.02, and contiguous property used for hospital
71.14 purposes, without regard to whether the property has been platted or subdivided. The
71.15 market value of class 4a property has a class rate of 1.25 percent.

71.16 (b) Class 4b includes:

71.17 (1) residential real estate containing less than four units that does not qualify as class
71.18 4bb, other than seasonal residential recreational property;

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

71.20 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead
71.21 farm classified under subdivision 23, paragraph (b) containing two or three units; and

71.22 (4) unimproved property that is classified residential as determined under subdivision
71.23 33.

71.24 The market value of class 4b property has a class rate of 1.25 percent.

71.25 (c) Class 4bb includes:

71.26 (1) nonhomestead residential real estate containing one unit, other than seasonal
71.27 residential recreational property; and

71.28 (2) a single family dwelling, garage, and surrounding one acre of property on a
71.29 nonhomestead farm classified under subdivision 23, paragraph (b).

71.30 Class 4bb property has the same class rates as class 1a property under subdivision 22.

71.31 Property that has been classified as seasonal residential recreational property at
71.32 any time during which it has been owned by the current owner or spouse of the current
71.33 owner does not qualify for class 4bb.

71.34 (d) Class 4c property includes:

72.1 (1) except as provided in subdivision 22, paragraph (c), real property devoted to
72.2 temporary and seasonal residential occupancy for recreation purposes, including real
72.3 property devoted to temporary and seasonal residential occupancy for recreation purposes
72.4 and not devoted to commercial purposes for more than 250 days in the year preceding
72.5 the year of assessment. For purposes of this clause, property is devoted to a commercial
72.6 purpose on a specific day if any portion of the property is used for residential occupancy,
72.7 and a fee is charged for residential occupancy. In order for a property to be classified as
72.8 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of
72.9 the annual gross lodging receipts related to the property must be from business conducted
72.10 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging
72.11 guests during the year must be for periods of at least two consecutive nights; or (ii) at least
72.12 20 percent of the annual gross receipts must be from charges for rental of fish houses,
72.13 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for
72.14 marina services, launch services, and guide services, or the sale of bait and fishing tackle.
72.15 For purposes of this determination, a paid booking of five or more nights shall be counted
72.16 as two bookings. Class 4c also includes commercial use real property used exclusively
72.17 for recreational purposes in conjunction with class 4c property devoted to temporary
72.18 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
72.19 provided the property is not devoted to commercial recreational use for more than 250
72.20 days in the year preceding the year of assessment and is located within two miles of the
72.21 class 4c property with which it is used. Owners of real property devoted to temporary and
72.22 seasonal residential occupancy for recreation purposes and all or a portion of which was
72.23 devoted to commercial purposes for not more than 250 days in the year preceding the year
72.24 of assessment desiring classification as class 1c or 4c, must submit a declaration to the
72.25 assessor designating the cabins or units occupied for 250 days or less in the year preceding
72.26 the year of assessment by January 15 of the assessment year. Those cabins or units and a
72.27 proportionate share of the land on which they are located will be designated class 1c or 4c
72.28 as otherwise provided. The remainder of the cabins or units and a proportionate share of
72.29 the land on which they are located will be designated as class 3a. The owner of property
72.30 desiring designation as class 1c or 4c property must provide guest registers or other
72.31 records demonstrating that the units for which class 1c or 4c designation is sought were
72.32 not occupied for more than 250 days in the year preceding the assessment if so requested.
72.33 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
72.34 nonresidential facility operated on a commercial basis not directly related to temporary and
72.35 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;
72.36 (2) qualified property used as a golf course if:

73.1 (i) it is open to the public on a daily fee basis. It may charge membership fees or
73.2 dues, but a membership fee may not be required in order to use the property for golfing,
73.3 and its green fees for golfing must be comparable to green fees typically charged by
73.4 municipal courses; and

73.5 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

73.6 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
73.7 with the golf course is classified as class 3a property;

73.8 (3) real property up to a maximum of one acre of land owned by a nonprofit
73.9 community service oriented organization; provided that the property is not used for a
73.10 revenue-producing activity for more than six days in the calendar year preceding the year
73.11 of assessment and the property is not used for residential purposes on either a temporary
73.12 or permanent basis. For purposes of this clause, a "nonprofit community service oriented
73.13 organization" means any corporation, society, association, foundation, or institution
73.14 organized and operated exclusively for charitable, religious, fraternal, civic, or educational
73.15 purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3),
73.16 (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31,
73.17 1990. For purposes of this clause, "revenue-producing activities" shall include but not be
73.18 limited to property or that portion of the property that is used as an on-sale intoxicating
73.19 liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant
73.20 open to the public, bowling alley, a retail store, gambling conducted by organizations
73.21 licensed under chapter 349, an insurance business, or office or other space leased or
73.22 rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of
73.23 the property which is used for revenue-producing activities for more than six days in the
73.24 calendar year preceding the year of assessment shall be assessed as class 3a. The use of
73.25 the property for social events open exclusively to members and their guests for periods of
73.26 less than 24 hours, when an admission is not charged nor any revenues are received by the
73.27 organization shall not be considered a revenue-producing activity;

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

73.32 (5) manufactured home parks as defined in section 327.14, subdivision 3;

73.33 (6) real property that is actively and exclusively devoted to indoor fitness, health,
73.34 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,
73.35 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

74.1 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt
74.2 under section 272.01, subdivision 2, and the land on which it is located, provided that:

74.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
74.4 Airports Commission, or group thereof; and

74.5 (ii) the land lease, or any ordinance or signed agreement restricting the use of the
74.6 leased premise, prohibits commercial activity performed at the hangar.

74.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must
74.8 be filed by the new owner with the assessor of the county where the property is located
74.9 within 60 days of the sale;

74.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under
74.11 section 272.01, subdivision 2, and the land on which it is located, provided that:

74.12 (i) the land abuts a public airport; and

74.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed
74.14 agreement restricting the use of the premises, prohibiting commercial use or activity
74.15 performed at the hangar; and

74.16 (9) residential real estate, a portion of which is used by the owner for homestead
74.17 purposes, and that is also a place of lodging, if all of the following criteria are met:

74.18 (i) rooms are provided for rent to transient guests that generally stay for periods
74.19 of 14 or fewer days;

74.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated
74.21 in the basic room rate;

74.22 (iii) meals are not provided to the general public except for special events on fewer
74.23 than seven days in the calendar year preceding the year of the assessment; and

74.24 (iv) the owner is the operator of the property.

74.25 The market value subject to the 4c classification under this clause is limited to five rental
74.26 units. Any rental units on the property in excess of five, must be valued and assessed as
74.27 class 3a. The portion of the property used for purposes of a homestead by the owner must
74.28 be classified as class 1a property under subdivision 22.

74.29 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
74.30 parcel of seasonal residential recreational property not used for commercial purposes has
74.31 the same class rates as class 4bb property, (ii) manufactured home parks assessed under
74.32 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal
74.33 residential recreational property has a class rate of one percent for the first \$500,000
74.34 of market value, ~~which includes any market value receiving the one percent rate under~~
74.35 ~~subdivision 22,~~ and 1.25 percent for the remaining market value, (iv) the market value
74.36 of property described in clause (4) has a class rate of one percent, (v) the market value

75.1 of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that
75.2 portion of the market value of property in clause (9) qualifying for class 4c property
75.3 has a class rate of 1.25 percent.

75.4 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
75.5 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
75.6 of the units in the building qualify as low-income rental housing units as certified under
75.7 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
75.8 of units in the building qualify for class 4d. The remaining portion of the building shall be
75.9 classified by the assessor based upon its use. Class 4d also includes the same proportion of
75.10 land as the qualifying low-income rental housing units are to the total units in the building.
75.11 For all properties qualifying as class 4d, the market value determined by the assessor must
75.12 be based on the normal approach to value using normal unrestricted rents.

75.13 Class 4d property has a class rate of 0.75 percent.

75.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
75.15 subsequent years.

75.16 Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is
75.17 amended to read:

75.18 Subdivision 1. **Residential homestead market value credit.** Each county auditor
75.19 shall determine a homestead credit for each class 1a, 1b, ~~1c~~, and 2a homestead property
75.20 within the county equal to 0.4 percent of the first \$76,000 of market value of the property
75.21 minus .09 percent of the market value in excess of \$76,000. The credit amount may not
75.22 be less than zero. In the case of an agricultural or resort homestead, only the market
75.23 value of the house, garage, and immediately surrounding one acre of land is eligible
75.24 in determining the property's homestead credit. In the case of a property ~~which~~ that is
75.25 classified as part homestead and part nonhomestead, (i) the credit shall apply only to
75.26 the homestead portion of the property, but (ii) if a portion of a property is classified as
75.27 nonhomestead solely because not all the owners occupy the property, not all the owners
75.28 have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses
75.29 do not of owners occupy the property, the credit amount shall be initially computed as
75.30 if that nonhomestead portion were also in the homestead class and then prorated to the
75.31 owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not~~
75.32 ~~occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse
75.33 does not occupy the property, the percentage of ownership for the owner-occupant spouse
75.34 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

77.1 in this ratio for the first taxes payable year that a class rate change or new class rate is
77.2 effective, the commissioner shall omit the effects of that class rate change or new class
77.3 rate when calculating this ratio for aid payable in that taxes payable year. For aid payable
77.4 in the year following a year for which such omission was made, the commissioner shall
77.5 use in the denominator for the class that was changed or created, the tax capacity for taxes
77.6 payable two years prior to that in which the aid is payable, based on market values for
77.7 taxes payable in the year prior to that for which aid is being computed.

77.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
77.9 thereafter.

77.10 Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

77.11 Subd. 9. **Certificate.** After the time for redemption of any lands shall have expired
77.12 after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall
77.13 execute a certificate describing the lands, specifying the tax judgment sale at which the
77.14 same were bid in for the state, and stating that the time for redemption thereof has expired
77.15 after notice given as provided by law and that absolute title thereto has vested in the
77.16 state of Minnesota. Such certificate shall be recorded in the office of the county recorder
77.17 ~~and thereafter filed in the office of the county auditor~~, except that in case of registered
77.18 land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a~~
77.19 ~~duplicate filed in the office of the county auditor~~. Such certificate and the record thereof
77.20 shall be prima facie evidence of the facts therein stated, but failure to execute or record or
77.21 file such certificate shall not affect the validity of any proceedings hereunder respecting
77.22 such lands or the title of the state thereto.

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

77.24 Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

77.25 **284.07 COUNTY AUDITOR'S CERTIFICATE TO BE PRIMA FACIE**
77.26 **EVIDENCE.**

77.27 The county auditor's certificate of forfeiture ~~filed~~ recorded by the county auditor
77.28 as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any
77.29 other law hereafter enacted providing for the recording of such a certificate or a certified
77.30 copy of such certificate or of the record thereof, shall, for all purposes, be prima facie
77.31 evidence that all requirements of the law respecting the taxation and forfeiture of the
77.32 lands therein described were complied with, and that at the date of the certificate absolute

78.1 title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as
78.2 set forth in the certificate.

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

78.4 Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

78.5 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue
78.6 shall make all necessary calculations and make payments pursuant to sections 477A.013,
78.7 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition,
78.8 the commissioner shall notify the authorities of their aid amounts, as well as the
78.9 computational factors used in making the calculations for their authority, and those
78.10 statewide total figures that are pertinent, before August 1 of the year preceding the aid
78.11 distribution year.

78.12 (b) For the purposes of this subdivision, aid is determined for a city or town based
78.13 on its city or town status as of June 30 of the year preceding the aid distribution year. If
78.14 the effective date for a municipal incorporation, consolidation, annexation, detachment,
78.15 dissolution, or township organization is on or before June 30 of the year preceding
78.16 the aid distribution year, such change in boundaries or form of government shall be
78.17 recognized for aid determinations for the aid distribution year. If the effective date for a
78.18 municipal incorporation, consolidation, annexation, detachment, dissolution, or township
78.19 organization is after June 30 of the year preceding the aid distribution year, such change in
78.20 boundaries or form of government shall not be recognized for aid determinations until
78.21 the following year.

78.22 (c) Changes in boundaries or form of government will only be recognized for the
78.23 purposes of this subdivision, to the extent that: (1) changes in market values are included
78.24 in market values reported by assessors to the commissioner, and changes in population,
78.25 household size, and the road accidents factor are included in their respective certifications
78.26 to the commissioner as referenced in section 477A.011, or (2) an annexation information
78.27 report as provided in paragraph (d) is received by the commissioner on or before July 15
78.28 of the aid calculation year. Revisions to estimates or data for use in recognizing changes
78.29 in boundaries or form of government are not effective for purposes of this subdivision
78.30 unless received by the commissioner on or before July 15 of the aid calculation year.
78.31 Clerical errors in the certification or use of estimates and data established as of July 15 in
78.32 the aid calculation year are subject to correction within the time periods allowed under
78.33 subdivision 3.

78.34 (d) In the case of an annexation, an annexation information report may be completed
78.35 by the annexing jurisdiction and submitted to the commissioner for purposes of this

79.1 subdivision if the net tax capacity of annexed area for the assessment year preceding the
79.2 effective date of the annexation exceeds five percent of the city's net tax capacity for the
79.3 same year. The form and contents of the annexation information report shall be prescribed
79.4 by the commissioner. The commissioner shall change the net tax capacity, the population,
79.5 the population decline, the commercial industrial percentage, and the transformed
79.6 population for the annexing jurisdiction only if the annexation information report provides
79.7 data the commissioner determines to be reliable for all of these factors used to compute city
79.8 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940
79.9 housing percentage, the road accidents factor, and household size only if the entire area of
79.10 an existing city or town is annexed or consolidated and only if reliable data is available for
79.11 all of these factors used to compute city revenue need for the annexing jurisdiction.

79.12 **EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

79.13 **ARTICLE 6**

79.14 **DEPARTMENT OF REVENUE**

79.15 **SALES AND USE TAXES**

79.16 Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3,
79.17 is amended to read:

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

79.20 (b) Sale and purchase include:

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

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

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

79.29 (d) Sale and purchase include the preparing for a consideration of food.

79.30 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
79.31 to, the following:

79.32 (1) prepared food sold by the retailer;

79.33 (2) soft drinks;

79.34 (3) candy;

80.1 (4) dietary supplements; and

80.2 (5) all food sold through vending machines.

80.3 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
80.4 gas, water, or steam for use or consumption within this state.

80.5 (f) A sale and a purchase includes the transfer for a consideration of prewritten
80.6 computer software whether delivered electronically, by load and leave, or otherwise.

80.7 (g) A sale and a purchase includes the furnishing for a consideration of the following
80.8 services:

80.9 (1) the privilege of admission to places of amusement, recreational areas, or athletic
80.10 events, and the making available of amusement devices, tanning facilities, reducing
80.11 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

80.12 (2) lodging and related services by a hotel, rooming house, resort, campground,
80.13 motel, or trailer camp and the granting of any similar license to use real property in a
80.14 specific facility, other than the renting or leasing of it for a continuous period of 30 days
80.15 or more under an enforceable written agreement that may not be terminated without
80.16 prior notice;

80.17 (3) nonresidential parking services, whether on a contractual, hourly, or other
80.18 periodic basis, except for parking at a meter;

80.19 (4) the granting of membership in a club, association, or other organization if:

80.20 (i) the club, association, or other organization makes available for the use of its
80.21 members sports and athletic facilities, without regard to whether a separate charge is
80.22 assessed for use of the facilities; and

80.23 (ii) use of the sports and athletic facility is not made available to the general public
80.24 on the same basis as it is made available to members.

80.25 Granting of membership means both onetime initiation fees and periodic membership
80.26 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
80.27 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
80.28 swimming pools; and other similar athletic or sports facilities;

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

80.32 (6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

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

(vii) 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).

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

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

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

82.11 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
82.12 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
82.13 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
82.14 65B.29, subdivision 1, clause (1).

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

82.16 Sec. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

82.17 Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery,
82.18 equipment, implements, accessories, and contrivances used directly and principally in
82.19 agricultural production of tangible personal property intended to be sold ultimately at
82.20 retail including, but not limited to:

82.21 (1) machinery for the preparation, seeding, or cultivation of soil for growing
82.22 agricultural crops;

82.23 (2) barn cleaners, milking systems, grain dryers, feeding systems including
82.24 stationary feed bunks, and similar installations, whether or not the equipment is installed
82.25 by the seller and becomes part of the real property; and

82.26 (3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe
82.27 fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation
82.28 system when sold as part of an irrigation system, whether or not the equipment is installed
82.29 by the seller and becomes part of the real property.

82.30 (b) Farm machinery does not include:

82.31 (1) repair or replacement parts;

82.32 (2) tools, shop equipment, grain bins, fencing material, communication equipment,
82.33 and other farm supplies;

82.34 (3) motor vehicles taxed under chapter 297B;

82.35 (4) snowmobiles or snow blowers;

83.1 (5) lawn mowers except those used in the production of sod for sale, or garden-type
83.2 tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in
83.4 the production of horses not raised for slaughter, fur-bearing animals, or research animals.

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

83.6 Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
83.7 to read:

83.8 **Subd. 16a. Computer. "Computer" means an electronic device that accepts**
83.9 **information in digital or similar form and manipulates it for a result based on a sequence**
83.10 **of instructions.**

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

83.12 Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
83.13 to read:

83.14 **Subd. 16b. Electronic. "Electronic" means relating to technology having electrical,**
83.15 **digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.**

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

83.17 Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
83.18 to read:

83.19 **Subd. 16c. Computer software. "Computer software" means a set of coded**
83.20 **instructions designed to cause a computer or automatic data processing equipment to**
83.21 **perform a task.**

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

83.23 Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

83.24 **Subd. 17. Prewritten computer software. "Prewritten computer software" means**
83.25 **computer software, including prewritten upgrades, that is not designed and developed by**
83.26 **the author or other creator to the specifications of a specific purchaser. The combining**
83.27 **of two or more "prewritten computer software" programs or prewritten portions of the**
83.28 **programs does not cause the combination to be other than "prewritten computer software."**
83.29 **"Prewritten computer software" includes software designed and developed by the author**
83.30 **or other creator to the specifications of a specific purchaser when it is sold to a person**

other than the specific purchaser. If a person modifies or enhances computer software of which the person is not the author or creator, the person is deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer 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.

85.1 Sec. 8. Minnesota Statutes 2004, section 297A.63, is amended to read:

85.2 **297A.63 USE TAXES IMPOSED; RATES.**

85.3 Subdivision 1. **Use of tangible personal property or taxable services.** (a) For the
85.4 privilege of using, storing, distributing, or consuming in Minnesota tangible personal
85.5 property or taxable services purchased for use, storage, distribution, or consumption in
85.6 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the ~~sales~~
85.7 purchase price of retail sales of the tangible personal property or taxable services at the
85.8 rate of tax imposed under section 297A.62. A person that purchases property from a
85.9 Minnesota retailer and returns the tangible personal property to a point within Minnesota,
85.10 except in the course of interstate commerce, after it was delivered outside of Minnesota,
85.11 is subject to the use tax.

85.12 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62
85.13 was paid on the sales price of the tangible personal property or taxable services.

85.14 (c) No tax is imposed under paragraph (a) if the purchase meets the requirements for
85.15 exemption under section 297A.67, subdivision 21.

85.16 Subd. 2. **Use of tangible personal property made from materials.** (a) A use tax
85.17 is imposed on a person who manufactures, fabricates, or assembles tangible personal
85.18 property from materials, either within or outside this state and who uses, stores, distributes,
85.19 or consumes the tangible personal property in Minnesota. The tax is imposed on the ~~sales~~
85.20 purchase price of retail sales of the materials contained in the tangible personal property at
85.21 the rate of tax imposed under section 297A.62.

85.22 (b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62
85.23 was paid on the sales price of materials contained in the tangible personal property.

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

85.25 Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

85.26 Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions
85.27 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the
85.28 time of its purchase of a digital good, computer software delivered electronically, or a
85.29 service that the digital good, computer software delivered electronically, or service will
85.30 be concurrently available for use in more than one ~~taxing~~ jurisdiction shall deliver to
85.31 the seller in conjunction with its purchase a multiple points of use exemption certificate
85.32 disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one ~~taxing~~ jurisdiction.

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

Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to read:

Subd. 11. **Mobile telecommunications service.** "Mobile telecommunications service," for purposes of this section, means the same as that term is defined in Section ~~124(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

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

Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy, and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizen homes, and correctional, detention, and detoxification facilities are exempt. Food sold through vending machines is not exempt.

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

Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy, and soft drinks served at public and private elementary, middle, or secondary schools as defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft

87.1 drinks served to students at a college, university, or private career school under a board
87.2 contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not~~
87.3 ~~include sales from vending machines.~~ Food sold through vending machines is not exempt.

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

87.5 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is
87.6 amended to read:

87.7 Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks
87.8 purchased for and served exclusively to individuals who are 60 years of age or over and
87.9 their spouses or to handicapped persons and their spouses by governmental agencies,
87.10 nonprofit organizations, or churches, or pursuant to any program funded in whole or in
87.11 part through United States Code, title 42, sections 3001 through 3045, wherever delivered,
87.12 prepared, or served, are exempt. Food sold through vending machines is not exempt.

87.13 (b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served
87.14 exclusively to children who are less than 14 years of age or disabled children who are less
87.15 than 16 years of age and who are attending a child care or early childhood education
87.16 program, are exempt if they are:

87.17 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
87.18 subdivision 4, and that primarily serves families with income of 250 percent or less of
87.19 federal poverty guidelines; and

87.20 (2) prepared at the site of the child care facility.

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

87.22 Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

87.23 Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers
87.24 and related computer software sold by a school, college, university, or private career
87.25 school to students who are enrolled at the institutions are exempt if:

87.26 (1) the use of the ~~personal~~ computer, or of a substantially similar model of computer,
87.27 and the related computer software is prescribed by the institution in conjunction with a
87.28 course of study; and

87.29 (2) each student of the institution, or of a unit of the institution in which the student
87.30 is enrolled, is required by the institution to have such a ~~personal~~ computer and related
87.31 software as a condition of enrollment.

87.32 For the purposes of this subdivision, "school" and "private career school" have the
87.33 meanings given in subdivision 13.

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

Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

Subd. 27. Sewing materials. Sewing materials are exempt. For purposes of this subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim, and other items that are usually directly incorporated into the construction of clothing, as defined in subdivision 8, regardless of whether it is actually used for making clothing. It does not include batting, foam, or fabric specifically manufactured for arts and craft projects, or other materials for craft projects.

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

Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37, is amended to read:

Subd. 37. Job opportunity building zones. (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314. For purposes of this subdivision, an aerial camera package, including any camera, computer, and navigation device contained in the package, that is used in an aircraft that is operated under a Federal Aviation Administration Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14, part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and dispatched from a job opportunity building zone, qualifies as primarily used or consumed in a job opportunity building zone if the imagery acquired from the aerial camera package is returned to the job opportunity building zone for processing. The exemption for an aerial camera package is limited to ~~\$50,000 in taxes~~ as provided in this subdivision and 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. The total amount of the aerial camera package exemption refunded for all taxpayers for all fiscal years is limited to \$50,000 in taxes.

(b) Purchase and use of construction materials; and supplies, or equipment used or consumed in, and equipment incorporated into, the construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

(e) Notwithstanding the restriction in paragraph (a), which requires items purchased to be primarily used or consumed in the zone, purchases by a qualified business that is an electrical cooperative located in Meeker County of equipment and materials used for the generation, transmission, and distribution of electrical energy are exempt under this subdivision, except that:

(1) the exemption for materials and equipment used or consumed outside the zone must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

(2) no sales and use tax exemption is allowed for equipment purchased for resale.

For purposes of this paragraph, 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. Paragraphs (a) and (e) are effective for sales and purchases made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made on or after January 1, 2004.

Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38, is amended to read:

Subd. 38. Biotechnology and health sciences industry zone. (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.330, are exempt if the property or services are primarily used or consumed in a biotechnology and health sciences industry zone designated under section 469.334.

(b) Purchase and use of construction materials; and supplies; ~~or equipment~~ used or consumed in, and equipment incorporated into, the construction of improvements to real property in a biotechnology and health sciences industry zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid must be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 18. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is amended to read:

Subd. 41. **International economic development zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in the international economic development zone designated under section 469.322. This exemption applies only if the purchase is made and delivery received after the business signs the business subsidy agreement required under chapter 469. For such purchases made during the duration of the zone but on or before June 30, 2007, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applies, and then refunded in the manner provided in section 297A.75 beginning July 1, 2007. The taxpayer must attach to the claim for refund sufficient information for the commissioner to be able to determine that the purchases are exempt.

(b) Purchase and use of construction materials, supplies, and equipment incorporated into the construction of improvements to real property in the international economic development zone are exempt if the improvements after completion of construction are to be used as a regional distribution center as defined in section 469.321 or otherwise used in the conduct of freight forwarding activities of a qualified business as defined in section 469.321. For such purchases made on or before June 30, 2007, or for such purchases made

91.1 to improve real property to be occupied by a business that has not signed a business
91.2 subsidy agreement at the time of the purchase, the tax must be imposed and collected as if
91.3 the rate under section 297A.62, subdivision 1, applies, and then refunded in the manner
91.4 provided in section 297A.75 beginning July 1, 2007. The taxpayer must attach to the
91.5 claim for refund sufficient information for the commissioner to be able to determine that
91.6 the improvements are being occupied by a business that has signed a business subsidy
91.7 agreement. This exemption applies regardless of whether the purchases are made by the
91.8 business or a contractor.

91.9 (c) The exemptions under this subdivision apply to a local sales and use tax,
91.10 regardless of whether the local tax is imposed on sales taxable under this chapter or in
91.11 another law, ordinance, or charter provision.

91.12 ~~(d) The exemption in paragraph (a) applies to sales during the duration of the zone~~
91.13 ~~and after June 30, 2007, if the purchase was made and delivery received after the business~~
91.14 ~~signs the business subsidy agreement required under chapter 469.~~

91.15 ~~(e) For purchases made for improvements to real property to be occupied by a~~
91.16 ~~business that has not signed a business subsidy agreement at the time of the purchase, the~~
91.17 ~~tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,~~
91.18 ~~applied, and then refunded in the manner provided in section 297A.75 beginning in fiscal~~
91.19 ~~year 2008. The taxpayer must attach to the claim for refund information sufficient for~~
91.20 ~~the commissioner to be able to determine that the improvements are being occupied by~~
91.21 ~~a business that has signed a business subsidy agreement.~~

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

91.23 Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

91.24 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),
91.25 to the following governments and political subdivisions, or to the listed agencies or
91.26 instrumentalities of governments and political subdivisions, are exempt:

91.27 (1) the United States and its agencies and instrumentalities;

91.28 (2) school districts, the University of Minnesota, state universities, community
91.29 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts
91.30 Education, and an instrumentality of a political subdivision that is accredited as an
91.31 optional/special function school by the North Central Association of Colleges and Schools;

91.32 (3) hospitals and nursing homes owned and operated by political subdivisions of
91.33 the state of tangible personal property and taxable services used at or by hospitals and
91.34 nursing homes;

(4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

(6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities; or

(4) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for ~~meals and~~ prepared food, candy, and soft drinks purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

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

Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

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

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

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

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

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

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

93.9 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
93.10 protection, if purchased by a law enforcement agency of the state or a political subdivision
93.11 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

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

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

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

93.22 (10) the removal of trees, bushes, or shrubs for the construction and maintenance
93.23 of roads, trails, or firebreaks when purchased by an agency of the state or a political
93.24 subdivision of the state.

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

93.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
93.32 October 28, 2002, but for sales and purchases made after October 28, 2002, and before
93.33 July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for
93.34 sales taxes collected and remitted to the state.

93.35 Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

94.1 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
94.2 (b), to the following "nonprofit organizations" are exempt:

94.3 (1) a corporation, society, association, foundation, or institution organized and
94.4 operated exclusively for charitable, religious, or educational purposes if the item
94.5 purchased is used in the performance of charitable, religious, or educational functions; and

94.6 (2) any senior citizen group or association of groups that:

94.7 (i) in general limits membership to persons who are either age 55 or older, or
94.8 physically disabled; and

94.9 (ii) is organized and operated exclusively for pleasure, recreation, and other
94.10 nonprofit purposes, no part of the net earnings of which inures to the benefit of any private
94.11 shareholders.

94.12 For purposes of this subdivision, charitable purpose includes the maintenance of a
94.13 cemetery owned by a religious organization.

94.14 (b) This exemption does not apply to the following sales:

94.15 (1) building, construction, or reconstruction materials purchased by a contractor
94.16 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
94.17 guaranteed maximum price covering both labor and materials for use in the construction,
94.18 alteration, or repair of a building or facility;

94.19 (2) construction materials purchased by tax-exempt entities or their contractors to
94.20 be used in constructing buildings or facilities that will not be used principally by the
94.21 tax-exempt entities; and

94.22 (3) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~
94.23 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks; and

94.24 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as
94.25 provided in paragraph (c).

94.26 (c) This exemption applies to the leasing of a motor vehicle as defined in section
94.27 297B.01, subdivision 5, only if the vehicle is:

94.28 (1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a
94.29 passenger automobile, as defined in section 168.011, if the automobile is designed and
94.30 used for carrying more than nine persons including the driver; and

94.31 (2) intended to be used primarily to transport tangible personal property or
94.32 individuals, other than employees, to whom the organization provides service in
94.33 performing its charitable, religious, or educational purpose.

94.34 (d) A limited liability company also qualifies for exemption under this subdivision if
94.35 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
94.36 purchased qualify for the exemption.

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

Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

95.3 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those
95.4 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in
95.5 providing hospital services. For purposes of this subdivision, "hospital" means a hospital
95.6 organized and operated for charitable purposes within the meaning of section 501(c)(3) of
95.7 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,
95.8 and "hospital services" are services authorized or required to be performed by a "hospital"
95.9 under chapter 144.

95.10 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center
95.11 are exempt, if the items purchased are used in providing outpatient surgical services. For
95.12 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical
95.13 center organized and operated for charitable purposes within the meaning of section
95.14 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other
95.15 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:
95.16 (1) services authorized or required to be performed by an outpatient surgical center under
95.17 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means
95.18 health services furnished to a person whose medical condition is sufficiently acute to
95.19 require treatment unavailable through, or inappropriate to be provided by, a clinic or
95.20 physician's office, but not so acute as to require treatment in a hospital emergency room.

95.21 (c) This exemption does not apply to the following products and services:

95.22 (1) purchases made by a clinic, physician's office, or any other medical facility not
operating as a hospital or outpatient surgical center, even though the clinic, office, or
95.24 facility may be owned and operated by a hospital or outpatient surgical center;

95.25 (2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph
95.26 (g), clause (2), and prepared food, candy, and soft drinks;

95.27 (3) building and construction materials used in constructing buildings or facilities
95.28 that will not be used principally by the hospital or outpatient surgical center;

95.29 (4) building, construction, or reconstruction materials purchased by a contractor
95.30 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
95.31 guaranteed maximum price covering both labor and materials for use in the construction,
95.32 alteration, or repair of a hospital or outpatient surgical center; or

95.33 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

Subd. 13. Fund-raising sales by or for nonprofit groups. (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by an organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fund-raising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property are exempt if the entire proceeds, less the necessary expenses for obtaining the property, will be contributed to a registered combined charitable organization described in section 309.501, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

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

Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

Subd. 14. Fund-raising events sponsored by nonprofit groups. (a) Sales of tangible personal property at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the fund-raising event.

(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

98.1 veterans' purposes, no part of the net earnings of which inures to the benefit of a private
98.2 individual.

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

98.4 Sec. 25. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

98.5 Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61,
98.6 subdivision 3, or any other provision of this chapter, the gross receipts from the following
98.7 sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports
98.8 Commission to conduct a series of statewide amateur athletic games and related events,
98.9 workshops, and clinics are exempt:

98.10 (1) sales of tangible personal property to or the storage, use, or other consumption of
98.11 tangible personal property by the nonprofit corporation; and

98.12 (2) sales of tangible personal property, admission charges, and sales of ~~food,~~
98.13 ~~meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at
98.14 fund-raising events, athletic events, or athletic facilities.

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

98.16 Sec. 26. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is
98.17 amended to read:

98.18 Subd. 2. **Content and form of exemption certificate.** An exemption certificate
98.19 must be substantially in the form prescribed by the commissioner and:

98.20 (1) be signed by the purchaser or meet the requirements of section 270C.304;

98.21 (2) bear the name and address of the purchaser; and

98.22 (3) indicate the sales tax account number, if any, issued to the purchaser; and

98.23 ~~(4) indicate the general character of the property sold by the purchaser in the regular~~
98.24 ~~course of business or the activities carried on by the organization; and~~

98.25 ~~(5) identify the property purchased.~~

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

98.27 Sec. 27. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is
98.28 amended to read:

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

98.32 (1) capital equipment exempt under section 297A.68, subdivision 5;

- 99.1 (2) building materials for an agricultural processing facility exempt under section
99.2 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section
99.4 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision
99.5 3;
- (5) building materials used in a residence for disabled veterans exempt under section
99.7 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section
99.10 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law
99.12 enforcement and family service center under section 297A.71, subdivision 26;
- (9) materials and supplies for qualified low-income housing under section 297A.71,
99.14 subdivision 23; and
- (10) materials, supplies, and equipment for municipal electric utility facilities under
99.16 section 297A.71, subdivision 35;
- (11) equipment and materials used for the generation, transmission, and distribution
99.18 of electrical energy and an aerial camera package exempt under section 297A.68,
99.19 subdivision 37; and
- (12) tangible personal property and taxable services and construction materials,
99.21 supplies, and equipment exempt under section 297A.68, subdivision 41.

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

99.24 Sec. 28. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is
99.25 amended to read:

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

- 99.29 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- 99.30 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
99.31 subdivision;
- 99.32 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
99.33 provided in United States Code, title 38, chapter 21;
- 99.34 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
99.35 property;

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

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

100.5 (7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

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

100.7 Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is
100.8 amended to read:

100.9 Subd. 3. **Application.** (a) The application must include sufficient information
100.10 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
100.11 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), ~~or~~ (10),
100.12 (11), or (12), the contractor, subcontractor, or builder must furnish to the refund applicant
100.13 a statement including the cost of the exempt items and the taxes paid on the items unless
100.14 otherwise specifically provided by this subdivision. The provisions of sections 289A.40
100.15 and 289A.50 apply to refunds under this section.

100.16 (b) An applicant may not file more than two applications per calendar year for
100.17 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

100.19 Sec. 30. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1,
100.20 is amended to read:

100.21 Subdivision 1. **Motor vehicle lease price; payment.** (a) In the case of a lease of a
100.22 motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the
100.23 tax is imposed on the total amount to be paid by the lessee under the lease agreement. The
100.24 lessor shall collect the tax in full at the time the lease is executed or, if the tax is included
100.25 in the lease and the lease is assigned, the tax is due from the original lessor at the time the
100.26 lease is assigned. The total amount to be paid by the lessee under the lease agreement
100.27 equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual
100.28 value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee
100.29 taken in trade by the lessor, plus the price of any taxable goods and services included in
100.30 the lease and the rent charge as provided by Code of Federal Regulations, title 12, section
100.31 213.4, excluding any rent charge related to the capitalization of the tax.

100.32 (b) If the total amount paid by the lessee for use of the leased vehicle includes
100.33 amounts that are not calculated at the time the lease is executed, the tax is imposed and

101.1 must be collected by the lessor at the time the amounts are paid by the lessee. In the case
101.2 of a lease which by its terms may be renewed, the sales tax is due and payable on the
3 total amount to be paid during the initial term of the lease, and then for each subsequent
101.4 renewal period on the total amount to be paid during the renewal period.

101.5 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a
101.6 vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim
101.7 for a refund of the total tax paid minus the amount of tax due for the period the vehicle is
101.8 used by the lessee.

101.9 (d) If a lessee's obligation to make payments on a lease is canceled more than 90
101.10 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax
101.11 due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is
101.12 consummated within 30 days of the date the prior lease was canceled. The amount of the
13 credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2)
101.14 the ratio of the number of full months remaining in the lease at the time of termination
101.15 compared to the term of the lease used in calculating sales tax paid at the inception of the
101.16 lease. The credit or any part of it cannot be assigned or transferred to another person.

101.17 **EFFECTIVE DATE.** This section is effective for leases entered into after
101.18 September 30, 2005.

101.19 Sec. 31. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

101.20 Subd. 7. **Exemptions.** (a) All goods or services that are otherwise exempt from
101.21 taxation under this chapter are exempt from a political subdivision's tax.

22 (b) ~~The gross receipts from the sale of tangible personal property that meets the~~
101.23 ~~requirement of section 297A.68, subdivision 15, are exempt, except the qualification~~
101.24 ~~test applies based on the boundaries of the political subdivision instead of the state~~
101.25 ~~of Minnesota.~~

101.26 (c) All mobile transportation equipment, and parts and accessories attached to or
101.27 to be attached to the equipment are exempt, if purchased by a holder of a motor carrier
101.28 direct pay permit under section 297A.90.

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

101.30 Sec. 32. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective
31 date, is amended to read:

101.32

101.33

102.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
102.2 October 28, 2002, but for land clearing contracts entered into after October 28, 2002,
102.3 but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section
102.4 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

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

102.6 Sec. 33. **REPEALER.**

102.7 (a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

102.8 (b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7,
102.9 and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

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

102.11 **ARTICLE 7**

102.12 **DEPARTMENT OF REVENUE**

102.13 **SPECIAL TAXES AND FEES**

102.14 Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is
102.15 amended to read:

102.16 Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility
102.17 shall register on or before October 1 of each year with the commissioner of revenue in
102.18 a manner prescribed by the commissioner of revenue and pay a registration fee for the
102.19 facility. The amount of the fee is:

102.20 (1) \$500, for facilities with a full-time equivalence of fewer than five;

102.21 (2) \$1,000, for facilities with a full-time equivalence of five to ten; and

102.22 (3) \$1,500, for facilities with a full-time equivalence of more than ten.

102.23 The registration fee must be paid on or before October 18 or the owner or operator
102.24 of a dry cleaning facility may elect to pay the fee in equal installments. Installment
102.25 payments must be paid on or before October 18, on or before January 18, on or before
102.26 April 18, and on or before June 18. All payments made after October 18 bear interest
102.27 at the rate specified in section 270C.40.

102.28 (b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the
102.29 state shall collect and remit to the commissioner of revenue in a manner prescribed by the
102.30 commissioner of revenue, on or before the 20th day of the month following the month in
102.31 which the sales of dry cleaning solvents are made, a fee of:

102.32 (1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities
102.33 in the state;

103.1 (2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use
103.2 by dry cleaning facilities in the state; and

3 (3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry
103.4 cleaning facilities in the state.

103.5 (c) The audit, assessment, appeal, collection, enforcement, and administrative
103.6 provisions of chapters 270C and 289A apply to the fee imposed by this subdivision.
103.7 To enforce this subdivision, the commissioner of revenue may grant extensions to file
103.8 returns and pay fees, impose penalties and interest on the annual registration fee under
103.9 paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in
103.10 the manner provided in chapters 270C and 289A. The penalties and interest imposed on
103.11 taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure
103.12 of data collected by the commissioner of revenue under this subdivision is governed by
103.13 chapter 270B.

103.14 **EFFECTIVE DATE.** This section is effective for returns and payments due on
103.15 or after October 1, 2006.

103.16 Sec. 2. **[287.222] TRANSFER TO OBTAIN FINANCING.**

103.17 The deed tax is \$1.65 on a deed or other instrument that transfers real property if
103.18 the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary,
103.19 and (3) done solely to enable the builder or contractor to obtain financing to build an
103.20 improvement on the conveyed property under a contract for improvement with the grantor
103.21 that calls for the conveyed property to be reconveyed to the grantor upon completion of
103.22 and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument
103.23 that transfers the real property back from the builder or contractor to the grantor.

103.24 **EFFECTIVE DATE.** This section is effective for deeds both executed and recorded
103.25 on or after July 1, 2006.

103.26 Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:

103.27 Subd. 4. **Health care provider.** (a) "Health care provider" means:

103.28 (1) a person whose health care occupation is regulated or required to be regulated by
103.29 the state of Minnesota furnishing any or all of the following goods or services directly to a
103.30 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,
103.31 drugs, laboratory, diagnostic or therapeutic services;

103.32 (2) a person who provides goods and services not listed in clause (1) that qualify for
103.33 reimbursement under the medical assistance program provided under chapter 256B;

- 104.1 (3) a staff model health plan company;
- 104.2 (4) an ambulance service required to be licensed; or
- 104.3 (5) a person who sells or repairs hearing aids and related equipment or prescription
- 104.4 eyewear.
- 104.5 (b) Health care provider does not include:
- 104.6 (1) hospitals; medical supplies distributors, except as specified under paragraph
- 104.7 (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other
- 104.8 jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other
- 104.9 providers of transportation services other than ambulance services required to be licensed;
- 104.10 supervised living facilities for persons with mental retardation or related conditions,
- 104.11 licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes~~
- 104.12 ~~licensed under chapter 144B~~; housing with services establishments required to be
- 104.13 registered under chapter 144D; board and lodging establishments providing only custodial
- 104.14 services that are licensed under chapter 157 and registered under section 157.17 to
- 104.15 provide supportive services or health supervision services; adult foster homes as defined
- 104.16 in Minnesota Rules, part 9555.5105; day training and habilitation services for adults
- 104.17 with mental retardation and related conditions as defined in section 252.41, subdivision
- 104.18 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day
- 104.19 care centers as defined in Minnesota Rules, part 9555.9600;
- 104.20 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart
- 104.21 15; a person providing personal care services and supervision of personal care services
- 104.22 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing
- 104.23 services as defined in Minnesota Rules, part 9505.0360; and home care providers required
- 104.24 to be licensed under chapter 144A;
- 104.25 (3) a person who employs health care providers solely for the purpose of providing
- 104.26 patient services to its employees; and
- 104.27 (4) an educational institution that employs health care providers solely for the
- 104.28 purpose of providing patient services to its students if the institution does not receive fee
- 104.29 for service payments or payments for extended coverage.

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

104.31 Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

104.32 Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or health care~~

104.33 ~~provider, or wholesale drug distributor~~ must not state the tax obligation under section

104.34 295.52 in a deceptive or misleading manner. It must not separately state tax obligations

105.1 on bills provided to patients, consumers, or other payers when the amount received for
105.2 the services or goods is not subject to tax.

105.3 Pharmacies that separately state the tax obligations on bills provided to consumers
105.4 or to other payers who purchase legend drugs may state the tax obligation as the wholesale
105.5 price of the legend drugs multiplied by the tax percentage specified in section 295.52.
105.6 Pharmacies must not state the tax obligation based on the retail price.

105.7 Whenever the commissioner determines that a person has engaged in any act or
105.8 practice constituting a violation of this subdivision, the commissioner may bring an action
105.9 in the name of the state in the district court of the appropriate county to enjoin the act
105.10 or practice and to enforce compliance with this subdivision, or the commissioner may
105.11 refer the matter to the attorney general or the county attorney of the appropriate county.
105.12 Upon a proper showing, a permanent or temporary injunction, restraining order, or other
105.13 appropriate relief must be granted.

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

105.15 Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision
105.16 to read:

105.17 **Subd. 22a. Weighted average retail price.** "Weighted average retail price" means
105.18 (1) the average retail price per pack of 20 cigarettes, with the average price weighted by
105.19 the number of packs sold at each price, (2) reduced by the sales tax included in the retail
105.20 price, and (3) adjusted for the expected inflation from the time of the survey to the average
105.21 of the 12 months that the sales tax will be imposed. The commissioner shall make the
105.22 inflation adjustment in accordance with the Consumer Price Index for all urban consumers
105.23 inflation indicator as published in the most recent state budget forecast. The inflation
105.24 factor for the calendar year in which the new tax rate takes effect must be used.

105.25 **EFFECTIVE DATE.** This section is effective April 30, 2006.

105.26 Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

105.27 **Subd. 7. Distilled spirits.** "Distilled spirits" ~~is~~ means:

105.28 (1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of
105.29 wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and
105.30 mixtures, for nonindustrial use;

105.31 (2) any beverage that would be classified as a flavored malt beverage except that the
105.32 alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent
105.33 of the alcohol content of the product; or

106.1 (3) any beverage that would be classified as a flavored malt beverage except that the
106.2 beverage contains more than six percent alcohol by volume, and more than 1.5 percent
106.3 of the volume of the finished product consists of alcohol derived from flavors and other
106.4 nonbeverage ingredients that contain alcohol.

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

106.6 Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision
106.7 to read:

106.8 Subd. 8a. Flavored malt beverage. (a) "Flavored malt beverage" means a
106.9 fermented malt beverage that:

106.10 (1) contains six percent or less alcohol by volume and derives at least 51 percent of
106.11 its alcohol content by volume from the fermentation of grain, as long as not more than 49
106.12 percent of the beverage's overall alcohol content is obtained from flavors and other added
106.13 nonbeverage ingredients containing alcohol; or

106.14 (2) contains more than six percent alcohol by volume that derives not more than 1.5
106.15 percent of its overall alcohol content by volume from flavors and other added nonbeverage
106.16 ingredients containing alcohol.

106.17 (b) Flavored malt beverage does not include cider or an alcoholic beverage obtained
106.18 primarily by fermentation of rice, such as sake.

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

106.20 **ARTICLE 8**
106.21 **DEPARTMENT OF REVENUE**
106.22 **MISCELLANEOUS**

106.23 Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
106.24 amended to read:

106.25 **Subd. 4. Electronic means; electronically.** "Electronic means" and "electronically"
106.26 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that
106.27 is prescribed by the commissioner. Electronic means includes the use of a touch-tone
106.28 telephone to transmit return information in a manner prescribed by the commissioner.

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

106.30 Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

106.31 **270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

107.1 For purposes of a law administered by the commissioner, the name of the taxpayer,
107.2 the name of the taxpayer's authorized agent, or the taxpayer's identification number,
107.3 will constitute a signature when transmitted as part of the return information on returns
107.4 filed by electronic means by the taxpayer or at the taxpayer's direction. ~~"Electronic~~
107.5 ~~means" includes, but is not limited to, the use of a touch-tone telephone to transmit return~~
107.6 ~~information in a manner prescribed by the commissioner.~~

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

107.8 Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is
107.9 amended to read:

107.10 Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of
107.11 assessment in any of the following circumstances:

107.12 (1) the commissioner determines that the correct amount of tax is different than that
107.13 assessed on a return filed with the commissioner;

107.14 (2) no return has been filed and the commissioner determines the amount of tax
107.15 that should have been assessed;

107.16 (3) the commissioner determines that the correct amount of a refundable credit
107.17 is different than the amount claimed by a taxpayer. For purposes of this subdivision,
107.18 "refundable credit" means a refund benefit or credit due a person that is unrelated to the
107.19 person's liability for a tax. "Refundable credit" does not include estimated tax payments
107.20 or withholding taxes. An assessment for an overpayment of a refundable credit may be
107.21 collected in the same manner as a tax collected by the commissioner; ~~and~~

107.22 (4) the commissioner determines the correct amount of a tax that the taxpayer is not
107.23 required to assess by a return filed with the commissioner; and

107.24 (5) the commissioner determines that a penalty other than a penalty for late payment
107.25 of tax, late filing of a return, or failure to pay tax by electronic means should be imposed,
107.26 and the penalty is not included on an order of assessment made under clauses (1) to (4).

107.27 (b) An order of assessment must be in writing.

107.28 (c) An order of assessment must be signed by the commissioner or a delegate, or
107.29 have their facsimile signature, if the change in tax, excluding penalties and interest,
107.30 exceeds \$1,000.

107.31 (d) An order of assessment is final when made but, as applicable, is reviewable
107.32 administratively under section 270C.35, or appealable to Tax Court under chapter 271.

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

108.1 Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is
108.2 amended to read:

108.3 Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability
108.4 against a successor business under this section within the time prescribed for collecting
108.5 the underlying sales and withholding taxes, interest, and penalties. The assessment is
108.6 presumed to be valid, and the burden is upon the successor to show it is incorrect or
108.7 invalid. An order assessing successor liability is reviewable administratively under section
108.8 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate
108.9 an assessment if the successor's failure to give the notice required under this section is due
108.10 to reasonable cause. The procedural and appeal provisions under section 270C.34 apply
108.11 to abatement requests under this subdivision. Collection remedies available against the
108.12 transferring business are available against the successor from the date of assessment of
108.13 successor liability.

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

108.15 Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is
108.16 amended to read:

108.17 Subdivision 1. **Authority.** If any tax payable to the commissioner or to the
108.18 department is not paid when due, such tax may be collected by the commissioner within
108.19 five years after the date of assessment of the tax, or if a lien has been filed, during the
108.20 period the lien is enforceable, or if the tax judgment has been filed, within the statutory
108.21 period of enforcement of a valid tax judgment, by a levy upon all property and rights
108.22 to property, including any property in the possession of law enforcement officials, of
108.23 the person liable for the payment or collection of such tax ~~(except that which is exempt~~
108.24 ~~from execution pursuant to section 550.37)~~ or property on which there is a lien provided
108.25 in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs;
108.26 properly payable.

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

108.28 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a
108.29 subdivision to read:

108.30 **Subd. 1a. Exempt property.** A levy under this section is not enforceable against:

108.31 (1) a purchaser with respect to tangible personal property purchased at retail in
108.32 the ordinary course of the seller's trade or business, unless at the time of purchase the

109.1 purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat
109.2 the collection of a tax; or
109.3 (2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.

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

109.5 Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

109.6 **271.12 WHEN ORDER EFFECTIVE.**

109.7 No order for refundment by the commissioner of revenue, the appropriate unit of
109.8 government, or the Tax Court shall take effect until the time for appeal therefrom or
109.9 review thereof by all parties entitled thereto has expired. Otherwise every order of the
109.10 commissioner, the appropriate unit of government, or the Tax Court shall take effect
109.11 immediately upon the filing thereof, and no appeal therefrom or review thereof shall
109.12 stay the execution thereof or extend the time for payment of any tax or other obligation
109.13 unless otherwise expressly provided by law; provided, that in case an order which has
109.14 been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal,
109.15 the determination upon appeal or review shall supersede the order appealed from and be
109.16 binding upon all parties affected thereby, and such adjustments as may be necessary
109.17 to give effect thereto shall be made accordingly; and provided further, the Tax Court
109.18 may enjoin enforcement of the order of the commissioner being appealed. If it be finally
109.19 determined upon such appeal or review that any person is entitled to refundment of any
109.20 amount which has been paid for a tax or other obligation, such amount, unless otherwise
109.21 provided by law, shall be paid to the person by the commissioner of finance, or other
22 proper officer, out of funds derived from taxes of the same kind, if available for the
109.23 purpose, or out of other available funds, if any, with interest at the rate specified in section
109.24 270C.405 from the date of payment of the tax, unless a different rate or date of accrual
109.25 of interest is otherwise provided by law, in which case such other rate or date of accrual
109.26 shall apply, upon certification by the commissioner of revenue, the appropriate unit of
109.27 government, the Tax Court or the Supreme Court.

109.28 If, within 120 days after a decision of the Tax Court becomes final, the commissioner
109.29 does not refund the overpayment determined by the court, together with interest, on
109.30 motion by the taxpayer, the Tax Court shall have jurisdiction to order the refund of
109.31 the overpayment and interest, and to award reasonable litigation costs for bringing the
109.32 motion. If any tax, assessment, or other obligation be increased upon such appeal or
109.33 review, the increase shall be added to the original amount, and may be enforced and
109.34 collected therewith.

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

110.2 Sec. 8. Minnesota Statutes 2005 Supplement, section 289A.121, subdivision 5, is
110.3 amended to read:

110.4 Subd. 5. **Reportable transactions.** (a) For each taxable year in which a taxpayer
110.5 must make a return or a statement under Code of Federal Regulations, title 26, section
110.6 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer
110.7 participated in a taxable year for which a return is required under chapter 290, the taxpayer
110.8 must file a copy of the disclosure with the commissioner.

110.9 (b) Any taxpayer that is a member of a unitary business group that includes any
110.10 person that must make a disclosure statement under Code of Federal Regulations, title 26,
110.11 section 1.6011-4, must file a disclosure under this subdivision.

110.12 (c) Disclosure under this subdivision is required for any transaction entered into after
110.13 December 31, 2001, that the Internal Revenue Service determines is a listed transaction
110.14 at any time, and must be made in the manner prescribed by the commissioner. For
110.15 transactions in which the taxpayer participated for taxable years ending before December
110.16 31, 2005, disclosure must be made by the extended due date of the first return required
110.17 under chapter 290 that occurs 60 days or more after July 14, 2005. With respect to
110.18 transactions in which the taxpayer participated for taxable years ending on and after
110.19 December 31, 2005, disclosure must be made in the time and manner prescribed in Code
110.20 of Federal Regulations, title 26, section 1.6011-4(e).

110.21 (d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions
110.22 entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer
110.23 has filed an amended income tax return which reverses the tax benefits of the tax
110.24 shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has
110.25 determined the tax treatment of the transaction and an amended return has been filed
110.26 to reflect the federal treatment.

110.27 **EFFECTIVE DATE. This section is effective for disclosures of reportable**
110.28 **transactions in which the taxpayer participated for taxable years ending before December**
110.29 **31, 2005.**

110.30 Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

110.31 Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals
110.32 is not subject to allocation outside this state. The allocation rules apply to nonresident
110.33 individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders
110.34 of corporations treated as "S" corporations under section 290.9725, and all corporations

111.1 not having such an election in effect. If a partnership or corporation would not otherwise
111.2 be subject to the allocation rules, but conducts a trade or business that is part of a
111.3 unitary business involving another legal entity that is subject to the allocation rules, the
111.4 partnership or corporation is subject to the allocation rules.

111.5 (b) Expenses, losses, and other deductions (referred to collectively in this paragraph
111.6 as "deductions") must be allocated along with the item or class of gross income to which
111.7 they are definitely related for purposes of assignment under this section or apportionment
111.8 under section 290.191, 290.20, or 290.36. Deductions ~~not~~ definitely related to any item
111.9 ~~or class~~ of gross income ~~are~~ assigned under subdivision 2, paragraph (e), are assigned to
111.10 the taxpayer's domicile.

111.11 (c) In the case of an individual who is a resident for only part of a taxable year,
111.12 the individual's income, gains, losses, and deductions from the distributive share of a
111.13 partnership, S corporation, trust, or estate are not subject to allocation outside this state
111.14 to the extent of the distributive share multiplied by a ratio, the numerator of which is
111.15 the number of days the individual was a resident of this state during the tax year of the
111.16 partnership, S corporation, trust, or estate, and the denominator of which is the number of
111.17 days in the taxable year of the partnership, S corporation, trust, or estate.

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

111.19 **ARTICLE 9**

111.20 **PUBLIC FINANCE**

111.21 Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to
111.22 read:

111.23 Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the
111.24 definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold~~
111.25 ~~in accordance with section~~ according to sections 475.56 and 475.60.

111.26 Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

111.27 Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to
111.28 exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever
111.29 is less, if financed or guaranteed by the United States Department of Agriculture, and bear
111.30 such rate or rates of interest not exceeding eight percent per annum, payable annually or
111.31 semiannually as the county board shall by resolution determine. The years and amounts
111.32 of principal maturities shall be such as in the opinion of the county board are warranted

112.1 by the anticipated collections of the water and sewer improvement assessments without
112.2 regard to any limitations on such maturities imposed by section 475.54.

112.3 Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

112.4 Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or
112.5 more may in accordance with chapter 475, except as otherwise provided herein, issue and
112.6 sell its obligations for the purpose of establishing, locating, relocating, constructing,
112.7 reconstructing, and improving municipal state-aid streets therein. In the resolution
112.8 providing for the issuance of the obligations, the governing body of the municipality
112.9 shall irrevocably pledge and appropriate to the sinking fund from which the obligations
112.10 are payable, an amount of the moneys allotted or to be allotted to the municipality from
112.11 its account in the municipal state-aid street fund sufficient to pay the principal of and the
112.12 interest on the obligations as they respectively come due. The obligations shall be issued
112.13 in amounts and on terms such that the average annual amount of principal and interest due
112.14 in all subsequent calendar years on the obligations, including any similar obligations of
112.15 the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of
112.16 ~~the last annual allotment preceding the bond issue received by the municipality from the~~
112.17 ~~construction account in the municipal state-aid street fund; except that the municipality~~
112.18 ~~may issue general obligation bonds for said purpose, to be purchased by it for the account~~
112.19 ~~of any one or more of its own funds, including debt redemption funds, in which case such~~
112.20 ~~bonds shall mature in not exceeding five years from their respective dates of issue, in~~
112.21 ~~principal amounts not exceeding in any calendar year, with the principal amount of all~~
112.22 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~
112.23 ~~last annual allotment preceding the bond issue received by the municipality from the~~
112.24 ~~construction account in the municipal state-aid street fund. All interest on the obligations~~
112.25 ~~shall be paid out of the municipality's normal maintenance account in the municipal~~
112.26 ~~state-aid street fund. Any such obligations may be made general obligations, but if~~
112.27 ~~moneys of the municipality other than moneys received from the municipal state-aid street~~
112.28 ~~fund, are used for payment of the obligations, the moneys so used shall be restored to the~~
112.29 ~~appropriate fund from the moneys next received by the municipality from the construction~~
112.30 ~~or maintenance account in the municipal state-aid street fund which are not required to be~~
112.31 ~~paid into a sinking fund for obligations.~~

112.32 Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

112.33 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any
112.34 county may, in accordance with chapter 475, issue and sell its obligations, the total

113.1 amount thereof not to exceed the total of the preceding two years state-aid allotments,
113.2 for the purpose of establishing, locating, relocating, constructing, reconstructing, and
113.3 improving county state-aid highways and constructing buildings and other facilities for
113.4 maintaining county state-aid highways. In the resolution providing for the issuance of the
113.5 obligations, the county board of the county shall irrevocably pledge and appropriate to the
113.6 sinking fund from which the obligations are payable, an amount of the money allotted
113.7 or to be allotted to the county from its account in the county state-aid highway fund
113.8 sufficient to pay the principal of and the interest on the obligations as they respectively
113.9 come due. The obligations shall be issued in the amounts and on terms such that the
113.10 amount of principal and interest due in any calendar year on the obligations, including
113.11 any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90
113.12 percent of the amount of the last annual allotment preceding the bond issue received
113.13 by the county from the construction account in the county state-aid highway fund. All
113.14 interest on the obligations shall be paid out of the county's normal maintenance account
113.15 in the county state-aid highway fund. The obligations may be made general obligations,
113.16 but if money of the county other than money received from the county state-aid highway
113.17 fund, is used for payment of the obligations, the money so used shall be restored to the
113.18 appropriate fund from the money next received by the county from the construction or
113.19 maintenance account in the county state-aid highway fund which is not required to be
113.20 paid into a sinking fund for obligations.

113.21 Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

113.22 **273.032 MARKET VALUE DEFINITION.**

113.23 For the purpose of determining any property tax levy limitation based on market
113.24 value, ~~any net debt limit based on market value, any limit on the issuance of bonds,~~
113.25 ~~certificates of indebtedness, or capital notes based on market value,~~ any qualification
113.26 to receive state aid based on market value, or any state aid amount based on market
113.27 value, the terms "market value," "taxable market value," and "market valuation," whether
113.28 equalized or unequalized, mean the total taxable market value of property within the local
113.29 unit of government before any adjustments for tax increment, fiscal disparity, powerline
113.30 credit, or wind energy values, but after the limited market adjustments under section
113.31 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
113.32 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
113.33 "market value," "taxable market value," and "market valuation" for purposes of this
113.34 paragraph, refer to the taxable market value for the previous assessment year.

114.1 For the purpose of determining any net debt limit based on market value, or any limit
114.2 on the issuance of bonds, certificates of indebtedness, or capital notes based on market
114.3 value, the terms "market value," "taxable market value," and "market valuation," whether
114.4 equalized or unequalized, mean the total taxable market value of property within the local
114.5 unit of government before any adjustments for tax increment, fiscal disparity, powerline
114.6 credit, or wind energy values, but after the limited market adjustments under section
114.7 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
114.8 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
114.9 "market value," "taxable market value," "market valuation" for purposes of this paragraph,
114.10 mean the taxable market value as last finally equalized.

114.11 Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

114.12 **365A.08 FINANCING.**

114.13 Upon adoption of the next annual budget following the creation of a subordinate
114.14 service district the town board shall include in the budget appropriate provisions for the
114.15 operation of the district including either a property tax levied only on property of the users
114.16 of the service within the boundaries of the district or a levy of a service charge against the
114.17 users of the service within the district, or a combination of a property tax and a service
114.18 charge on the users of the service.

114.19 A tax or service charge or a combination of them may be imposed to finance a
114.20 function or service in the district that the town ordinarily provides throughout the town
114.21 only to the extent that there is an increase in the level of the function or service provided
114.22 in the service district over that provided throughout the town. In that case, in addition
114.23 to the townwide tax levy, an amount necessary to pay for the increase in the level of the
114.24 function or service may be imposed in the district.

114.25 In the proceedings for establishment of a subordinate service district, the town may
114.26 prepare a street reconstruction plan that describes the streets within the district to be
114.27 reconstructed, the estimated costs, and any planned reconstruction of streets within the
114.28 district over the next five years and may include the approval of the street reconstruction
114.29 plan and the issuance of obligations for street reconstruction in the notice of public hearing
114.30 for the public hearing required by section 365A.04, subdivision 2. The town board shall
114.31 approve or disapprove the plan and the issuance of obligations in the resolution adopted
114.32 pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction
114.33 obligations shall be subject to the provisions for reverse referendum contained in section
114.34 365A.06. Following the creation of the subordinate service district and approval of the
114.35 plan and the street reconstruction obligations and compliance with section 365A.06, the

115.1 town may, without regard to the election requirement under section 475.58, subdivision 1,
115.2 issue and sell general obligations for street reconstruction as defined in section 475.58,
115.3 subdivision 3b. Obligations issued under this section are subject to the debt limit of the
115.4 town and are not excluded from net debt under section 475.51, subdivision 4.

115.5 Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

115.6 **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

115.7 Except when obligations are outstanding under section 365A.08, a petition signed by
115.8 at least 75 percent of the property owners in the territory of the subordinate service district
115.9 requesting the removal of the district may be presented to the town board. Within 30 days
115.10 after the town board receives the petition, the town clerk shall determine the validity of the
115.11 signatures on the petition. If the requisite number of signatures are certified as valid, the
115.12 town board must hold a public hearing on the petitioned matter. Within 30 days after the
115.13 end of the hearing, the town board must decide whether to discontinue the subordinate
115.14 service district, continue as it is, or take some other action with respect to it.

115.15 Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

115.16 Subdivision 1. **Definitions.** (a) As used in this section, the following terms have
115.17 the meanings given.

115.18 (b) "Authority" means the Minnesota Public Facilities Authority.

115.19 (c) "Commissioner" means the commissioner of finance.

115.20 (d) "Debt obligation" means a general obligation bond issued by a county, a bond to
115.21 which the general obligation of a county is pledged under section 469.034, subdivision 2,
115.22 or a bond payable from a county lease obligation under section 641.24, to provide funds
115.23 for the construction of:

115.24 (1) jails;

115.25 (2) correctional facilities;

115.26 (3) law enforcement facilities;

115.27 (4) social services and human services facilities; ~~or~~

115.28 (5) solid waste facilities; or

115.29 (6) qualified housing development projects as defined in section 469.034, subdivision

115.30 2.

31 Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

115.32 **469.035 MANNER OF BOND ISSUANCE; SALE.**

116.1 Bonds of an authority shall be authorized by its resolution. They may be issued in
116.2 one or more series and shall bear the date or dates, mature at the time or times, bear interest
116.3 at the rate or rates, be in the denomination or denominations, be in the form either coupon
116.4 or registered, carry the conversion or registration privileges, have the rank or priority, be
116.5 executed in the manner, be payable in the medium of payment at the place or places, and
116.6 be subject to the terms of redemption with or without premium, as the resolution, its trust
116.7 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~
116.8 ~~less than par~~ in the manner and for the price that the authority determines to be in the best
116.9 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections
116.10 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving
116.11 the validity or enforceability of any bonds of an authority or the security for the bonds,
116.12 any bond reciting in substance that it has been issued by the authority to aid in financing a
116.13 project shall be conclusively deemed to have been issued for that purpose, and the project
116.14 shall be conclusively deemed to have been planned, located, and carried out in accordance
116.15 with the purposes and provisions of sections 469.001 to 469.047.

116.16 In cities of the first class, the governing body of the city must approve all notes
116.17 executed with the Minnesota Housing Finance Agency pursuant to this section if the
116.18 interest rate on the note exceeds seven percent.

116.19 Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

116.20 Subd. 2. **Form.** The bonds of each series issued by the authority under this section
116.21 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years
116.22 from the date of issuance, and shall be in the form, whether payable to bearer, registrable
116.23 as to principal, or fully registrable, as determined by the authority. Section 469.102,
116.24 subdivision 6, applies to all bonds issued under this section, and the bonds and their
116.25 coupons, if any, when payable to bearer, shall be negotiable instruments.

116.26 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is
116.27 amended to read:

116.28 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan
116.29 money to finance expenditures under section 469.176, subdivision 4, from its general
116.30 fund or any other fund under which it has legal authority to do so. The loan or advance
116.31 must be authorized, by resolution of the governing body or of the authority, whichever
116.32 has jurisdiction over the fund from which the advance or loan is made, before money
116.33 is transferred, advanced, or spent, whichever is earliest. The resolution may generally
116.34 grant to the authority the power to make interfund loans under one or more tax increment

117.1 financing plans or for one or more districts. The terms and conditions for repayment of
117.2 the loan must be provided in writing and include, at a minimum, the principal amount,
117.3 the interest rate, and maximum term. The maximum rate of interest permitted to be
117.4 charged is limited to the greater of the rates specified under section 270C.40 or 549.09
117.5 as of the date or advance is made, unless the written agreement states that the maximum
117.6 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09
117.7 are from time to time adjusted.

117.8 Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision
117.9 to read:

117.10 Subd. 11. Obligations. After July 1, 2006, in addition to the authority in
117.11 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of
117.12 indebtedness, bonds, or other obligations under this section in an amount not exceeding
117.13 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master
117.14 plan and transit capital improvement program and for related costs, including the costs of
117.15 issuance and sale of the obligations.

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

117.17 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

117.18 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

117.19 The Minnesota Higher Education Services Office is exempt from the 120-day
117.20 issuance requirements in this chapter and may carry forward allocations for student loan
117.21 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice
117.22 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~
117.23 ~~is limited to \$25,000,000.~~

117.24 EFFECTIVE DATE. This section is effective for bond allocations made in 2006
117.25 and thereafter.

117.26 Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is
117.27 amended to read:

117.28 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this
117.29 section if the maximum amount of principal and interest to become due in any year on
117.30 all the outstanding bonds issued under this section, including the bonds to be issued,
117.31 will equal or exceed (1) 0.16 percent of the taxable market value of property in the
117.32 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be

118.1 made using the taxable market value for the taxes payable year in which the obligations
118.2 are issued and sold. In the case of a municipality with a population of 2,500 or more, the
118.3 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility
118.4 in which more than one municipality participates, upon compliance by each participating
118.5 municipality with the requirements of subdivision 2, the limitations in this subdivision and
118.6 the net debt represented by the bonds shall be allocated to each participating municipality
118.7 in proportion to its required financial contribution to the financing of the shared facility, as
118.8 set forth in the joint powers agreement relating to the shared facility. This section does not
118.9 limit the authority to issue bonds under any other special or general law.

118.10 Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to
118.11 read:

118.12

118.13 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of
118.14 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range
118.15 resources and rehabilitation ~~may~~ shall issue revenue bonds in a principal amount of
118.16 \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series,
118.17 and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be
118.18 used to pay costs of issuance and to make grants to school districts located in the taconite
118.19 tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance
118.20 area defined in Minnesota Statutes, section 273.1341, to be used by the school districts
118.21 to pay for health, safety, and maintenance improvements ~~but only if the school district~~
118.22 ~~has levied the maximum amount allowable under law for those purposes.~~ The amounts of
118.23 proceeds to be distributed to each district are as follows:

118.24 (1) Independent School District No. 511, Aitkin, \$600,000;

118.25 (2) Independent School District No. 695, Chisholm, \$700,000;

118.26 (3) Independent School District No. 166, Cook County, \$600,000;

118.27 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;

118.28 (5) Independent School District No. 696, Ely, \$600,000;

118.29 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;

118.30 (7) Independent School District No. 318, Grand Rapids, \$600,000;

118.31 (8) Independent School District No. 316, Greenway, \$1,100,000;

118.32 (9) Independent School District No. 701, Hibbing, \$2,100,000;

118.33 (10) Independent School District No. 381, Lake Superior, \$600,000;

118.34 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;

118.35 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;

119.1 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;

119.2 (14) Independent School District No. 2142, St. Louis County, \$600,000; and

119.3 (15) Independent School District No. 706, Virginia, \$900,000.

119.4

119.5 **Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.**

119.6 The Carver County Housing and Redevelopment Authority created under Laws,
119.7 1980, chapter 482, is renamed the Carver County Community Development Agency.

119.8 **Sec. 17 CITY OF WINSTED; BONDING AUTHORITY.**

119.9 (a) The city of Winsted may issue general obligation bonds under Minnesota
119.10 Statutes, chapter 475, to finance the acquisition and betterment of a public works facility
119.11 and a facility consisting of a city hall, community center and police station, including
119.12 landscaping.

119.13 (b) The bonds may be issued as general obligations of the city without an election to
119.14 approve the bonds under Minnesota Statutes, section 475.58.

119.15 (c) The bonds are not included in computing any debt limitation applicable to the
119.16 city, including the net debt limits under Minnesota Statutes, section 475.53, and the levy
119.17 of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the
119.18 bonds is not subject to any levy limitation.

119.19 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and
119.20 betterment of the public works facility and the facility consisting of a city hall, community
119.21 center and police station, including landscaping, may not exceed \$5,000,000, plus an
119.22 amount equal to the costs related to issuance of the bonds and capitalized interest.

119.23 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
119.24 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

119.25 **Sec. 18. UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY**
119.26 **PRIORITY.**

119.27 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
119.28 (b), prior to October 1, 2006, only the following applications shall be awarded allocations
119.29 from the unified pool. Allocations shall be awarded in the following order of priority:

119.30 (1) applications for student loan bonds issued by or on behalf of the Office of
119.31 Higher Education;

119.32 (2) applications for residential rental project bonds;

119.33 (3) applications for small issue bonds for manufacturing projects; and

120.1 (4) applications for small issue bonds for agricultural development bond loan
120.2 projects.

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

120.4 **Sec. 19. UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

120.5 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
120.6 (c), on the first Monday in October, 2006, through the last Monday in November, 2006,
120.7 allocations shall be awarded from the unified pool in the following order of priority:

120.8 (1) applications for mortgage bonds;
120.9 (2) applications for public facility projects funded by public facility bonds;
120.10 (3) applications for small issue bonds for manufacturing projects;
120.11 (4) applications for small issue bonds for agricultural development bond loan
120.12 projects;

120.13 (5) applications for residential rental project bonds;

120.14 (6) applications for enterprise zone facility bonds;

120.15 (7) applications for governmental bonds; and

120.16 (8) applications for redevelopment bonds.

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

120.18 **Sec. 20. UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL**
120.19 **ALLOCATION.**

120.20 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i),
120.21 the total amount of allocations for student loan bonds from the unified pool in calendar
120.22 year 2006 may not exceed 50 percent of the total in the unified pool on the day after the
120.23 last Monday in July, 2006.

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

120.25 **Sec. 21. APPLICATION.**

120.26 Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey,
120.27 Scott, and Washington.

ARTICLE 10

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is \$500 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds \$500, the tax is ~~.0033~~ .005 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at ~~.0033~~ .005 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner.

122.1 Such an attachment shall not, however, provide actual or constructive notice of the
122.2 information contained therein for purposes of determining any interest in the real property.
122.3 The commissioner shall prescribe the manner in which the tax due under paragraph (c) is
122.4 to be paid and may require grantees of designated transfers to file with the commissioner
122.5 subsequent statements verifying that the tax provided under paragraph (c) does not apply.

122.6 Sec. 2. Minnesota Statutes 2005 Supplement, section 287.29, subdivision 1, is
122.7 amended to read:

122.8 Subdivision 1. **Appointment and payment of tax proceeds.** (a) The proceeds of
122.9 the taxes levied and collected under sections 287.21 to 287.39 must be apportioned, ~~97~~
122.10 ~~percent to the general fund of the state, and three percent of the tax at a rate of .0033 to the~~
122.11 county revenue fund, and the remainder to the general fund.

122.12 (b) On or before the 20th day of each month, the county treasurer shall determine
122.13 and pay to the commissioner of revenue for deposit in the state treasury and credit to the
122.14 general fund the state's portion of the receipts for deed tax from the preceding month
122.15 subject to the electronic transfer requirements of section 270C.42. The county treasurer
122.16 shall provide any related reports requested by the commissioner of revenue.

122.17 (c) Counties must remit the state's portion of the June receipts collected through June
122.18 25 and the estimated state's portion of the receipts to be collected during the remainder of
122.19 the month to the commissioner of revenue two business days before June 30 of each year.
122.20 The remaining amount of the June receipts is due on August 20.

122.21 Sec. 3. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to read:

122.22 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
122.23 January 1, ~~2008~~ 2013.

122.24 Sec. 4. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

122.25 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
122.26 January 1, ~~2008~~ 2013.

122.27 Sec. 5. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

122.28 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota
122.29 County may impose a mortgage registry and deed tax.

122.30 (b) The rate of the mortgage registry tax equals .0001 of the principal.

122.31 (c) The rate of the deed tax equals .0001 of the amount.

123.1 Subd. 2. General law provisions apply. The taxes under this section apply to
123.2 the same base and must be imposed, collected, administered, and enforced in the same
123.3 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
123.4 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
123.5 subdivision 1, the term "Dakota County" must be substituted for "the state," and the
123.6 revenue must be deposited as provided in subdivision 3.

123.7 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of
123.8 the Dakota County Board of Commissioners and must be deposited in the county's
123.9 environmental response fund under section 383D.76.

123.10 Subd. 4. Expiration. The authority to impose the tax under this section expires
123.11 January 1, 2013.

123.12 **Sec. 6. [383D.76] ENVIRONMENTAL RESPONSE FUND.**

123.13 Subdivision 1. Creation. An environmental response fund is created for the purposes
123.14 specified in this section. The taxes imposed by section 383D.75 must be deposited in the
123.15 fund. The Board of County Commissioners shall administer the fund either as a county
123.16 board, a housing and redevelopment authority, or a regional rail authority.

123.17 Subd. 2. Uses of fund. The fund created in subdivision 1 must be used for the
123.18 following purposes:

123.19 (1) acquisition through purchase or condemnation of lands or property which are
123.20 polluted or contaminated with hazardous substances;

123.21 (2) paying the costs associated with indemnifying or holding harmless the
123.22 entity taking title to lands or property from any liability arising out of the ownership,
123.23 remediation, or use of the land or property;

123.24 (3) paying for the costs of remediating the acquired land or property;

123.25 (4) paying the costs associated with remediating lands or property which are polluted
123.26 or contaminated with hazardous substances; or

123.27 (5) paying for the costs associated with improving the property for economic
123.28 development, recreational, housing, transportation or rail traffic.

123.29 Subd. 3. Matching funds. In expending funds under this section, the county shall
123.30 seek matching funds from contamination cleanup funds administered by the commissioner
123.31 of the Department of Employment and Economic Development, the Metropolitan Council,
123.32 the federal government, the private sector, and any other source.

123.33 Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by
123.34 section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

124.1 Subd. 5. Land sales. Land or property acquired under this section may be resold
124.2 at fair market value. Proceeds from the sale of the land must be deposited in the
124.3 environmental response fund.

124.4 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with
124.5 the county and any affected municipality by providing technical assistance and support in
124.6 cleaning up a contaminated site related to a trunk highway or railroad improvement.

124.7 Sec. 7. Minnesota Statutes 2004, section 462A.201, is amended by adding a
124.8 subdivision to read:

124.9 Subd. 8. Appropriation. An amount equal to the proceeds of the deed tax
124.10 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000709 of the net
124.11 consideration is appropriated from the general fund to the commissioner of finance for
124.12 transfer to the housing development fund and credit to the housing trust fund account to
124.13 be used for rental assistance. No more than ten percent of these funds may be used for
124.14 operations of rental housing under section 462A.201. This appropriation to the housing
124.15 trust fund account shall not supplant current funding levels for housing.

124.16 Sec. 8. Minnesota Statutes 2004, section 462A.33, is amended by adding a subdivision
124.17 to read:

124.18 Subd. 9. Appropriation. An amount equal to the proceeds of the deed tax
124.19 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000566 of the net
124.20 consideration is appropriated from the general fund to the commissioner of finance for
124.21 transfer to the housing development fund to be used for the economic development and
124.22 housing challenge program. This appropriation to the housing development fund shall not
124.23 supplant current funding levels for housing.

124.24 Sec. 9. [462A.35] HOUSING ACCOUNT FOR LEVERAGE OPPORTUNITY.

124.25 Subdivision 1. Created. The housing account for leverage opportunity is an account
124.26 created to be administered by the agency.

124.27 (a) The fund shall provide matching grants to eligible recipients for preservation,
124.28 renovation, or development of affordable home ownership or rental housing.

124.29 (b) Not less than 40 percent of the funds in the account are to be available for project
124.30 applications submitted by eligible recipients outside of the seven-county metropolitan area
124.31 as defined in section 473.121, subdivision 2, and outside of community development
124.32 entitlement areas as defined by the United States Department of Housing and Urban
124.33 Development.

125.1 (c) In any biennial funding cycle, funds not committed to eligible recipients for
125.2 affordable housing projects by March 1 of any odd-numbered year shall be available to
125.3 provide matching funds for projects of eligible recipients without regard to the limitation
125.4 established in paragraph (b).

125.5 (d) Only one matching grant may be awarded within the jurisdictional boundaries of
125.6 any eligible recipient in any year.

125.7 Subd. 2. Eligible recipients. Matching grants may be made to a county; a city, as
125.8 defined in section 462A.03, subdivision 21; a housing and redevelopment authority or
125.9 public housing agency, established pursuant to sections 469.001 to 469.047; an economic
125.10 development authority, established pursuant to sections 469.090 to 469.1082; a community
125.11 development agency, established pursuant to section 383D.41; or a federally recognized
125.12 American Indian tribe located in Minnesota.

125.13 Subd. 3. Matching requirements. (a) Grants from the incentive fund must be
125.14 matched on a dollar-for-dollar basis by funds, donations, including donations of building
125.15 materials, the value of any fee reduction granted by an eligible recipient for a housing
125.16 project, or the value of the land provided by eligible recipients.

125.17 (b) The minimum incentive fund grant award is \$50,000. The maximum incentive
125.18 fund grant award to any eligible recipient in any year is \$1,000,000.

125.19 (c) Local matching funds may not include funds secured from any other state or
125.20 federal program for the project for which eligible recipients submitted application to
125.21 the incentive fund.

125.22 Subd. 4. Income limits. Households served through the incentive fund
125.23 matching grant must not have incomes at the time of initial occupancy that exceed, for
125.24 homeownership projects, 115 percent of the greater of state or area median income as
125.25 determined by the United States Department of Housing and Urban Development, and
125.26 for rental housing projects, 60 percent of the greater of state or area median income as
125.27 determined by the Department of Housing and Urban Development.

125.28 Subd. 5. Application process. Eligible recipients must submit applications by April
125.29 15 of each year and funds will be allocated from available state funds on a pro rata basis to
125.30 eligible recipients whose applications satisfy matching requirements and income limits
125.31 provided in this section.

125.32 Sec. 10. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

125.33 Subd. 3. Limitation on administrative expenses. (a) For districts for which
125.34 certification was requested before August 1, 1979, or after June 30, 1982 and before
125.35 August 1, 2001, no tax increment shall be used to pay any administrative expenses for

126.1 a project which exceed ten percent of the total estimated tax increment expenditures
126.2 authorized by the tax increment financing plan or the total tax increment expenditures
126.3 for the project, whichever is less.

126.4 (b) For districts for which certification was requested after July 31, 1979, and before
126.5 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in
126.6 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the
126.7 total tax increment expenditures authorized by the tax increment financing plan or the total
126.8 estimated tax increment expenditures for the district, whichever is less.

126.9 (c) For districts for which certification was requested after July 31, 2001, no tax
126.10 increment may be used to pay any administrative expenses for a project which exceed
126.11 ten percent of total estimated tax increment expenditures authorized by the tax increment
126.12 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,
126.13 clause (1), from the district, whichever is less.

126.14 (d) No administrative expenses or consulting costs incurred before certification of a
126.15 district may be paid from tax increments.

126.16 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2,
126.17 is amended to read:

126.18 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
126.19 district, an amount equal to at least 75 percent of the total revenue derived from tax
126.20 increments paid by properties in the district must be expended on activities in the district
126.21 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
126.22 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
126.23 For districts, other than redevelopment districts for which the request for certification
126.24 was made after June 30, 1995, the in-district percentage for purposes of the preceding
126.25 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
126.26 increments paid by properties in the district may be expended, through a development fund
126.27 or otherwise, on activities outside of the district but within the defined geographic area of
126.28 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
126.29 For districts, other than redevelopment districts for which the request for certification was
126.30 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
126.31 20 percent. The revenue derived from tax increments for the district that are expended on
126.32 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
126.33 calculating the percentages that must be expended within and without the district.

126.34 (b) In the case of a housing district, a housing project, as defined in section 469.174,
126.35 subdivision 11, is an activity in the district.

127.1 (c) All administrative expenses are for activities outside of the district, except that
127.2 if the only expenses for activities outside of the district under this subdivision are for
3 the purposes described in paragraph (d), administrative expenses will be considered as
127.4 expenditures for activities in the district.

127.5 (d) The authority may elect, in the tax increment financing plan for the district,
127.6 to increase by up to ten percentage points the permitted amount of expenditures for
127.7 activities located outside the geographic area of the district under paragraph (a). As
127.8 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
127.9 expenditures under paragraph (a), need not be made within the geographic area of the
127.10 project. Expenditures that meet the requirements of this paragraph are legally permitted
127.11 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
127.12 To qualify for the increase under this paragraph, the expenditures must:

13 (1) be used exclusively to assist housing that meets the requirement for a qualified
127.14 low-income building, as that term is used in section 42 of the Internal Revenue Code;

127.15 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of
127.16 the Internal Revenue Code, less the amount of any credit allowed under section 42 of
127.17 the Internal Revenue Code; and

127.18 (3) be used to:

127.19 (i) acquire and prepare the site of the housing;

127.20 (ii) acquire, construct, or rehabilitate the housing; or

127.21 (iii) make public improvements directly related to the housing.

127.22 (e) For a district created within a biotechnology and health sciences industry zone
127.23 as defined in section 469.330, subdivision 6, or for an existing district located within
24 such a zone, tax increment derived from such a district may be expended outside of
127.25 the district but within the zone only for expenditures required for the construction of
127.26 public infrastructure necessary to support the activities of the zone. Public infrastructure
127.27 expenditures are considered as expenditures for activities within the district.

127.28 Sec. 12. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

127.29 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered
127.30 to have been expended on an activity within the district under subdivision 2 only if one
127.31 of the following occurs:

127.32 (1) before or within five years after certification of the district, the revenues are
13 actually paid to a third party with respect to the activity;

127.34 (2) bonds, the proceeds of which must be used to finance the activity, are issued and
127.35 sold to a third party before or within five years after certification, the revenues are spent

128.1 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,
128.2 reasonably expected to be spent before the end of the later of (i) the five-year period, or
128.3 (ii) a reasonable temporary period within the meaning of the use of that term under section
128.4 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve
128.5 or replacement fund;

128.6 (3) binding contracts with a third party are entered into for performance of the
128.7 activity before or within five years after certification of the district and the revenues are
128.8 spent under the contractual obligation;

128.9 (4) costs with respect to the activity are paid before or within five years after
128.10 certification of the district and the revenues are spent to reimburse a party for payment
128.11 of the costs, including interest on unreimbursed costs; or

128.12 (5) expenditures are made for housing purposes as permitted by subdivision 2,
128.13 paragraph (b), or for public infrastructure purposes within a zone as permitted by
128.14 subdivision 2, paragraph (e).

128.15 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if
128.16 the original refunded bonds meet the requirements of paragraph (a), clause (2).

128.17 Sec. 13. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

128.18 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the
128.19 sixth year following certification of the district, if the applicable in-district percent of the
128.20 revenues derived from tax increments paid by properties in the district exceeds the amount
128.21 of expenditures that have been made for costs permitted under subdivision 3, an amount
128.22 equal to the difference between the in-district percent of the revenues derived from tax
128.23 increments paid by properties in the district and the amount of expenditures that have
128.24 been made for costs permitted under subdivision 3 must be used and only used to pay or
128.25 defease the following or be set aside to pay the following:

128.26 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

128.27 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); or

128.28 (3) credit enhanced bonds to which the revenues derived from tax increments are
128.29 pledged, but only to the extent that revenues of the district for which the credit enhanced
128.30 bonds were issued are insufficient to pay the bonds and to the extent that the increments
128.31 from the applicable pooling percent share for the district are insufficient; or

128.32 (4) the amount provided by the tax increment financing plan to be paid under
128.33 subdivision 2, paragraph (e).

128.34 (b) When the outstanding bonds have been defeased and when sufficient money
128.35 has been set aside to pay contractual obligations as defined in subdivision 3, paragraph

129.1 (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment
129.2 discharged.

129.3 Sec. 14. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

129.4 Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The
129.5 applicant may request a shorter duration. The commissioner may specify a shorter
129.6 duration, regardless of the requested duration.

129.7 (b) The duration limit under this subdivision and the duration of the zone for
129.8 purposes of allowance of tax incentives described in section 469.315 is extended by three
129.9 calendar years for each parcel of property that meets the following requirements:

129.10 (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on
129.11 the site that includes the parcel; and

129.12 (2) the business subsidy agreement was executed after April 30, 2006.

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

129.14 Sec. 15. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to
129.15 read:

129.16

129.17 Subdivision 1. **Establishment.** The city of Brooklyn Park may establish an
129.18 economic development tax increment financing district in which ~~15 percent~~ all of the
129.19 revenue generated from tax increment in any year that is not expended pursuant to a
129.20 pledge given or encumbrance created before January 1, 2006, is deposited in the housing
21 development account of the authority and expended according to the tax increment
129.22 financing plan.

129.23 Sec. 16. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to
129.24 read:

129.25

129.26 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing
129.27 activities that will be assisted by the housing development account. Housing activities
129.28 may include rehabilitation, acquisition, demolition, and financing of new or existing
129.29 single family or multifamily housing. Housing activities listed in the plan need not be
129.30 located within the district or project area but must be activities that meet the requirements
129.31 of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761,
129.32 subdivision 2, for owner-occupied housing or 469.174, subdivision 29, clause (1), for
129.33 rental housing.

130.1 Sec. 17. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

130.2 Subdivision 1. Authority to impose; rate. (a) The governing body of Anoka
130.3 County may impose a mortgage registry and deed tax.

130.4 (b) The rate of the mortgage registry tax equals .0001 of the principal.

130.5 (c) The rate of the deed tax equals .0001 of the amount.

130.6 Subd. 2. General law provisions apply. The taxes under this section apply to
130.7 the same base and must be imposed, collected, administered, and enforced in the same
130.8 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
130.9 All the provisions of chapter 287 apply to these taxes, except the rate is as specified
130.10 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the
130.11 revenue must be deposited as provided in subdivision 3.

130.12 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of the Anoka
130.13 County Board of Commissioners and must be deposited in the county's environmental
130.14 response fund under section 18.

130.15 Subd. 4. Expiration. The authority to impose the tax under this section expires
130.16 January 1, 2013.

130.17 Sec. 18. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

130.18 Subdivision 1. Creation. An environmental response fund is created for the
130.19 purposes specified in this section. The taxes imposed by section 17 must be deposited
130.20 in the fund. The Board of County Commissioners shall administer the fund either as a
130.21 county board, a housing and redevelopment authority, or a regional rail authority.

130.22 Subd. 2. Uses of fund. The fund created in subdivision 1 must be used for the
130.23 following purposes:

130.24 (1) acquisition through purchase or condemnation of lands or property which are
130.25 polluted or contaminated with hazardous substances;

130.26 (2) paying the costs associated with indemnifying or holding harmless the
130.27 entity taking title to lands or property from any liability arising out of the ownership,
130.28 remediation, or use of the land or property;

130.29 (3) paying for the costs of remediating the acquired land or property;

130.30 (4) paying the costs associated with remediating lands or property which are polluted
130.31 or contaminated with hazardous substances; or

130.32 (5) paying for the costs associated with improving the property for economic
130.33 development, recreational, housing, transportation or rail traffic.

130.34 Subd. 3. Matching funds. In expending funds under this section, the county shall
130.35 seek matching funds from contamination cleanup funds administered by the commissioner

131.1 of the Department of Employment and Economic Development, the Metropolitan Council,
131.2 the federal government, the private sector, and any other source.

131.3 Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by
131.4 section 17 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

131.5 Subd. 5. Land sales. Land or property acquired under this section may be resold
131.6 at fair market value. Proceeds from the sale of the land must be deposited in the
131.7 environmental response fund.

131.8 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with
131.9 the county and any affected municipality by providing technical assistance and support in
131.10 cleaning up a contaminated site related to a trunk highway or railroad improvement.

131.11 **Sec. 19. CITY OF BLOOMINGTON; TIF DISTRICT EXTENSION.**

131.12 Notwithstanding the provisions of Minnesota Statutes, section 469.176, or Laws
131.13 1996, chapter 464, article 1, section 8, or any other law to the contrary, the city of
131.14 Bloomington and its port authority may elect to extend the duration limits of tax increment
131.15 financing district No. 1-G, containing the former Met Center property, for a period
131.16 through December 31, 2038.

131.17 EFFECTIVE DATE. This section is effective upon compliance by the governing
131.18 body of the city of Bloomington with the requirements of Minnesota Statutes, section
131.19 645.021, and by the governing bodies of the county, city, and school district as required
131.20 by Minnesota Statutes, section 469.1782, subdivision 2.

131.21 **Sec. 20. CITY OF BROOKLYN PARK TAX INCREMENT FINANCING**
131.22 **DISTRICT EXTENSION.**

131.23 Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other
131.24 law to the contrary, the duration limit that applies to the economic development tax
131.25 increment financing district established under Laws 1994, chapter 587, article 9, section
131.26 20, is extended to December 31, 2020.

131.27 **Sec. 21. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT**
131.28 **FINANCING.**

131.29 Subdivision 1. Definitions. (a) For the purposes of this section, the words and
131.30 phrases defined have the meanings given them in this subdivision.

131.31 (b) "Project area" means the area in the city bounded on the south, southeast, and
131.32 southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east
131.33 by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest

132.1 by the Minnesota River; and on the west by the westerly corporate limits of the city;
132.2 together with a single parcel to the east of said Interstate Highway I-35W described as the
132.3 North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24
132.4 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that
132.5 the project area includes the rights-of-way for all present and future highway interchanges
132.6 abutting the area described in this paragraph.

132.7 (c) "Soils deficiency district" means a type of tax increment financing district
132.8 consisting of a portion of the project area in which the city finds by resolution that the
132.9 following conditions exist:

132.10 (1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district
132.11 require substantial filling, grading, or other physical preparation for use;

132.12 (2) the estimated cost of the physical preparation under clause (1), but excluding
132.13 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local
132.14 improvement as described in Minnesota Statutes, section 429.021, subdivision 1, clauses
132.15 (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before
132.16 completion of the preparation.

132.17 Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment
132.18 financing plan for a district, the rules under this section apply to a redevelopment district,
132.19 renewal and renovation district, soils condition district, or soils deficiency district
132.20 established by the city of Burnsville or a development authority of the city in the project
132.21 area.

132.22 (b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3
132.23 and 4, is extended to ten years for any district.

132.24 (c) The limitations on spending tax increment outside of the district under Minnesota
132.25 Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be
132.26 expended on improvements or activities within the project area.

132.27 (d) In the case of a soil deficiency district:

132.28 (1) increments may be collected through 20 years after the receipt by the authority of
132.29 the first increment from the district; and

132.30 (2) except as otherwise provided in this subdivision, increments may be used only
132.31 to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii)
132.32 pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost
132.33 of installing public improvements directly caused by the deficiencies; and (iii) pay for the
132.34 administrative expenses of the authority allocable to the district.

(e) Increments spent for any infrastructure costs (whether inside a district or outside a district but within the project area) are deemed to satisfy the requirements of paragraph (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

(f) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires December 31, 2026.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 22. BURNSVILLE; HEART OF THE CITY TAX INCREMENT FINANCING DISTRICT.

Notwithstanding any contrary provision of law, the five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax increment financing District No. 6 established by the city and its economic development authority on April 15, 2002.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT.

Subdivision 1. Authorization. At the election of the governing body of the city of Detroit Lakes, upon adoption of the tax increment financing plan for the district described in this section, the rules provided under this section apply to each such district.

Subd. 2. Definition. In this section, "district" means a redevelopment district established by the city of Detroit Lakes or the Detroit Lakes Development Authority within the following area:

Beginning at the intersection of Washington Avenue and the Burlington Northern Santa Fe railroad then east to the intersection of Roosevelt Avenue then south to the intersection of Highway 10/Frazee Street then west to the intersection of Frazee Street and the alley that parallels Washington Avenue then north to the point of beginning.

More than one district may be created under this act.

Subd. 3. Qualification as redevelopment district; special rules. The district shall be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All buildings that are removed to facilitate the Highway 10 Realignment Project are deemed to be "structurally substandard." The three-year limit after demolition of the buildings to

134.1 request tax increment financing certification provided in Minnesota Statutes, section
134.2 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

134.3 Subd. 4. **Expiration.** The authority to approve tax increment financing plans to
134.4 establish a tax increment financing redevelopment district subject to this section expires
134.5 on December 31, 2014.

134.6 Subd. 5. **Effective date.** This section is effective upon approval of the governing
134.7 body of the city of Detroit Lakes and compliance with Minnesota Statutes, section
134.8 645.021, subdivision 3.

134.9 Sec. 24. **CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX**
134.10 **INCREMENT FINANCING DISTRICTS.**

134.11 Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota
134.12 Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
134.13 are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to
134.14 469.1799, as long as they do not exceed the population limit in that section.

134.15 Subd. 2. **Local approval.** This section is effective for each of the cities of Elgin,
134.16 Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance
134.17 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

134.18 Sec. 25. **CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX**
134.19 **INCREMENT DISTRICT.**

134.20 Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

134.21 (b) "Homeless assistance tax increment district" means a contiguous area of the
134.22 city that:

134.23 (1) is no larger than six acres;

134.24 (2) is located within the boundaries of a city municipal development district; and

134.25 (3) contains at least two shelters for homeless persons that have been owned or
134.26 operated by nonprofit corporations that (i) are qualified charitable organizations under
134.27 section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such
134.28 homeless facilities within the district for at least five years, and (iii) have been recipients
134.29 of emergency services grants under Minnesota Statutes, section 256E.36.

134.30 Subd. 2. **Establishment of tax increment district.** The city may create one
134.31 homeless assistance tax increment district. To establish the homeless assistance tax
134.32 increment district, the city shall adopt a homeless assistance tax increment plan and
134.33 otherwise comply with the requirements of Minnesota Statutes, section 469.175, except

135.1 that the determinations required in Minnesota Statutes, section 469.175, subdivision 3,
135.2 paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

3 Subd. 3. Application of tax increment law. Minnesota Statutes, sections 469.174
135.4 to 469.179, shall apply to the administration of the district, except:

135.5 (1) as this section provides otherwise; and

135.6 (2) with respect to the portion of the increment to be expended for homeless shelter
135.7 and services pursuant to subdivision 5, paragraph (b):

135.8 (i) the use for which tax increment that may be expended is as provided by
135.9 subdivision 5; and

135.10 (ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

135.11 Subd. 4. Duration limitation. No tax increment generated by the district shall
135.12 be paid to the city after the expiration of 25 years from the receipt by the city of the
135.13 first increment from that district.

135.14 Subd. 5. Limitations on use of increment. (a) All increment received by the city
135.15 from the district shall be used in accordance with the homeless assistance tax increment
135.16 district plan.

135.17 (b) No less than 40 percent of the increment, after deduction of allowable
135.18 administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall
135.19 be used to provide emergency shelter and services for homeless persons within and
135.20 outside the district.

135.21 (c) The remainder of the tax increment derived from the district shall be used for
135.22 purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.

135.23 Subd. 6. Applicability of other laws. References in Minnesota Statutes to tax
135.24 increment financing districts created and tax increment generated under Minnesota
135.25 Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax
135.26 increment subject to this section.

135.27 EFFECTIVE DATE. This section is effective upon compliance by the city of
135.28 Minneapolis with Minnesota Statutes, section 645.021.

135.29 Sec. 26. CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;
135.30 EXPENDITURES OUTSIDE DISTRICT.

135.31 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision
135.32 2, the city of New Brighton may expend tax increments from District No. 26 for eligible
135.33 activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax
135.34 Increment District No. 26, but only within the area described in Laws 1998, chapter 389,
135.35 article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3,

136.1 and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures
136.2 permitted in this section.

136.3 **EFFECTIVE DATE.** This section is effective upon approval by the governing body
136.4 of the city of New Brighton and compliance with Minnesota Statutes, section 645.021,
136.5 subdivision 3.

136.6 **Sec. 27. CITY OF RAMSEY; TAX INCREMENT FINANCING.**

136.7 Subdivision 1. **Authority.** The governing body of the city of Ramsey or a
136.8 development authority established by the city may create a tax increment financing
136.9 district, consisting of the property defined as outlot L, Ramsey Town Center Addition and
136.10 lot 2, block 1, Ramsey Town Center Addition.

136.11 Subd. 2. **Special rules.** Establishment of the district is subject to the requirements
136.12 of Minnesota Statutes, sections 469.174 to 469.1799 with the following exceptions:

136.13 (1) the district is deemed to be a redevelopment district without regard to the
136.14 requirements of Minnesota Statutes, section 469.174, subdivision 10;

136.15 (2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not
136.16 apply to the district;

136.17 (3) housing receiving assistance, directly or indirectly, from the expenditures of
136.18 the district's increments must meet the requirements of Minnesota Statutes, sections
136.19 469.174, subdivision 11, and 469.1761;

136.20 (4) the district's increments must be used only to pay for costs related to the Sunwood
136.21 on Grand project, including land acquisition, public infrastructure, parking ramps, and
136.22 administrative expenses, whether paid directly to reimburse for payment of those costs or
136.23 to repay bonds or other obligations issued and sold to pay those costs initially; and

136.24 (5) general obligations bonds issued to pay for costs related to the project subject
136.25 to this section are not subject to the net debt limit of the city under Minnesota Statutes,
136.26 section 475.53, or any other law or charter provision.

136.27 **EFFECTIVE DATE.** This section is effective upon local approval by the governing
136.28 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,
136.29 section 645.021.

136.30 **Sec. 28. CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.**

136.31 Subdivision 1. **Establishment of district.** The city of St. Michael may establish
136.32 a redevelopment tax increment financing district subject to Minnesota Statutes, sections
136.33 469.174 to 469.179, except as provided in this section. The district must be established

137.1 within an area that includes the downtown and town center areas as designated by the city
137.2 as well as all parcels adjacent to marked Trunk Highway 241 within the city.

3 Subd. 2. Special rules. (a) Notwithstanding the requirements of Minnesota
137.4 Statutes, section 469.174, subdivision 10, the district may be established and operated as
137.5 a redevelopment district.

137.6 (b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176,
137.7 subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments
137.8 from the district created under this section may be used to meet the cost of land
137.9 acquisition, removal of buildings in the right-of-way acquisition area, and other costs
137.10 incurred by the city of St. Michael in the expansion and improvement of marked Trunk
137.11 Highway 241 within the city.

137.12 (c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

13 EFFECTIVE DATE. This section is effective the day after the governing body of
137.14 the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

137.15 **Sec. 29. APPROPRIATION.**

137.16 An amount equal to the proceeds of the deed tax under section 287.21, subdivision
137.17 1, paragraph (b), clause (3), on .000425 of the net consideration is appropriated from
137.18 the general fund to the commissioner of finance for transfer to the account established
137.19 by section 462A.35.

137.20 This appropriation to the housing account for leverage opportunity shall not supplant
137.21 current funding levels for housing.

137.22 **Sec. 30. REPEALER.**

137.23 Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

137.24 **Sec. 31. REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX**
137.25 **INCREMENTS.**

137.26 Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax
137.27 increments derived from tax increment financing district no. 2-1 as of the effective date
137.28 of this act must be returned to the county for distribution in accordance with Minnesota
137.29 Statutes, section 469.176, subdivision 2.

30 EFFECTIVE DATE. This section is effective upon compliance with Minnesota
137.31 Statutes, section 645.021, subdivision 3.

ARTICLE 11

AIDS AND CREDITS

Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed \$5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

139.1 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

139.2 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and
139.3 thereafter, and the maximum amount of total aid it may receive under section 477A.013,
139.4 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,
139.5 provided that:

139.6 (1) the city has a population that is greater than 1,000 and less than 2,500;

139.7 (2) its commercial and industrial percentage for aids payable in 1999 is greater
139.8 than 45 percent; and

139.9 (3) the total market value of all commercial and industrial property in the city
139.10 for assessment year 1999 is at least 15 percent less than the total market value of all
139.11 commercial and industrial property in the city for assessment year 1998.

139.12 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and
139.13 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
139.14 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

139.15 (1) the city had a population in 1997 of 2,500 or more;

139.16 (2) the net tax capacity of the city used in calculating its 1999 aid under section
139.17 477A.013 is less than \$650 per capita;

139.18 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under
139.19 section 477A.013 is greater than 12 percent;

139.20 (4) the 1999 local government aid of the city under section 477A.013 is less than
139.21 20 percent of the amount that the formula aid of the city would have been if the need
139.22 increase percentage was 100 percent; and

139.23 (5) the city aid base of the city used in calculating aid under section 477A.013
139.24 is less than \$7 per capita.

139.25 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and
139.26 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
139.27 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

139.28 (1) the city has a population in 1997 of 2,000 or more;

139.29 (2) the net tax capacity of the city used in calculating its 1999 aid under section
139.30 477A.013 is less than \$455 per capita;

139.31 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is
139.32 greater than \$195 per capita; and

139.33 (4) the 1999 local government aid of the city under section 477A.013 is less than
139.34 38 percent of the amount that the formula aid of the city would have been if the need
139.35 increase percentage was 100 percent.

140.1 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and
140.2 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
140.3 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

140.4 (1) the city has a population in 1998 that is greater than 200 but less than 500;

140.5 (2) the city's revenue need used in calculating aids payable in 2000 was greater
140.6 than \$200 per capita;

140.7 (3) the city net tax capacity for the city used in calculating aids available in 2000
140.8 was equal to or less than \$200 per capita;

140.9 (4) the city aid base of the city used in calculating aid under section 477A.013
140.10 is less than \$65 per capita; and

140.11 (5) the city's formula aid for aids payable in 2000 was greater than zero.

140.12 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and
140.13 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
140.14 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

140.15 (1) the city had a population in 1998 that is greater than 200 but less than 500;

140.16 (2) the city's commercial industrial percentage used in calculating aids payable in
140.17 2000 was less than ten percent;

140.18 (3) more than 25 percent of the city's population was 60 years old or older according
140.19 to the 1990 census;

140.20 (4) the city aid base of the city used in calculating aid under section 477A.013
140.21 is less than \$15 per capita; and

140.22 (5) the city's formula aid for aids payable in 2000 was greater than zero.

140.23 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by
140.24 an additional \$50,000 in calendar years 2002 to 2011, and by an additional \$89,000 in
140.25 calendar years 2007 to 2011, and the maximum amount of total aid it may receive under
140.26 section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar
140.27 year 2001 only, and by \$50,000 in calendar year 2002 only, and by an additional \$89,000
140.28 in calendar year 2007 only, provided that:

140.29 (1) the net tax capacity of the city used in calculating its 2000 aid under section
140.30 477A.013 is less than \$810 per capita;

140.31 (2) the population of the city declined more than two percent between 1988 and 1998;

140.32 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is
140.33 greater than \$240 per capita; and

140.34 (4) the city received less than \$36 per capita in aid under section 477A.013,
140.35 subdivision 9, for aids payable in 2000.

141.1 (l) The city aid base for a city with a population of 10,000 or more which is located
141.2 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
3 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
141.4 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
141.5 the lesser of:

141.6 (1)(i) the total population of the city, as determined by the United States Bureau of
141.7 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

141.8 (2) \$2,500,000.

141.9 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the
141.10 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
141.11 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

141.12 (1) the city is located in the seven-county metropolitan area;

141.13 (2) its population in 2000 is between 10,000 and 20,000; and

141.14 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,
141.15 was greater than 25 percent.

141.16 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
141.17 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum
141.18 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),
141.19 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000
141.20 in calendar year 2007 only, provided that:

141.21 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

141.22 (2) its home county is located within the seven-county metropolitan area;

141.23 (3) its pre-1940 housing percentage is less than 15 percent; and

24 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900
141.25 per capita.

141.26 (o) The city aid base for a city is increased by \$200,000 beginning in calendar
141.27 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
141.28 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,
141.29 provided that the city qualified for an increase in homestead and agricultural credit aid
141.30 under Laws 1995, chapter 264, article 8, section 18.

141.31 (p) The city aid base for a city is increased by \$200,000 in 2004 only and the
141.32 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is
141.33 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear
34 dry cask storage facility.

141.35 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the
141.36 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased

142.1 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster
142.2 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by
142.3 more than 40 percent between 1990 and 2000.

142.4 (r) The city aid base for a city is increased by \$25,000 in 2006 only and the
142.5 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
142.6 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000
142.7 and has a state park for which the city provides rescue services and which comprised at
142.8 least 14 percent of the total geographic area included within the city boundaries in 2000.

142.9 (s) The city aid base for a city with a population less than 5,000 is increased in
142.10 2006 and thereafter and the minimum and maximum amount of total aid it may receive
142.11 under this section is also increased in calendar year 2006 only by an amount equal to
142.12 \$6 multiplied by its population.

142.13 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

142.14 Sec. 2. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

142.15 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each
142.16 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
142.17 subdivision 8, and (2) its city aid base.

142.18 ~~(b) The aid for a city in calendar year 2004 shall not exceed the amount of its aid in~~
142.19 ~~calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21,~~
142.20 ~~article 5.~~

142.21 ~~(c)~~ For aids payable in 2005 ~~and thereafter,~~ and 2006, the total aid for any city
142.22 shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the
142.23 aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and
142.24 thereafter, the total aid for any city with a population of 2,500 or more may not decrease
142.25 from its total aid under this section in the previous year by an amount greater than ten
142.26 percent of its net levy in the year prior to the aid distribution.

142.27 ~~(d) For aids payable in 2004 only, the total aid for a city with a population less than~~
142.28 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~
142.29 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~
142.30 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ (c) For aids payable in
142.31 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be
142.32 less than the amount it was certified to receive in the previous year minus five percent
142.33 of its 2003 certified aid amount.

142.34 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

143.1 Sec. 3. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is
143.2 amended to read:

3 Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section
143.4 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total
143.5 aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids
143.6 payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9,
143.7 is limited to \$485,052,000, plus the amount of the payments provided in section 5.

143.8 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

143.9 Sec. 4. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to
143.10 read:

143.11 Sec. 5. **2005 ~~AND 2006~~ CITY AID PAYMENTS.**

12
143.13 In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under
143.14 Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003
143.15 reduction in market value credit reimbursements for that city due to Laws 2003, First
143.16 Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value
143.17 credit reimbursements are reduced to less than zero under this section. To the extent
143.18 sufficient information is available on each payment date, the commissioner shall pay the
143.19 annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under
143.20 this section, to cities in equal installments on the dates specified in Minnesota Statutes,
143.21 section 273.1384.

22
143.23 Sec. 5. **ONETIME 2006 ADDITIONAL CITY AID.**

143.24 **Subdivision 1. Computation.** For aid payable in 2006 only, the aid payable under
143.25 Minnesota Statutes, section 477A.013, subdivision 9, is increased as follows:

143.26 (1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision
143.27 34, must be multiplied by the ratio of the annual implicit price deflator for government
143.28 consumption expenditures and gross investment for state and local governments as
143.29 prepared by the United States Department of Commerce for 2004 to the 2002 implicit
143.30 price deflator for state and local government purchases;

143.31 (2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must
143.32 not be added to the city net tax capacity under Minnesota Statutes, section 477A.013,
143.33 subdivision 8;

144.1 (3) the need increase percentage under Minnesota Statutes, section 477A.013,
144.2 subdivision 8, shall be equal to 100 percent;

144.3 (4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that
144.4 the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the
144.5 previous year plus its total aid in the previous year shall not apply; and

144.6 (5) no city shall receive less aid than it was originally certified to receive for aids
144.7 payable in 2006.

144.8 The aid payable under this section must be used by cities for debt reduction, pension
144.9 funding, capital improvements, deferred maintenance, fee reduction, or to pay costs
144.10 related to public safety.

144.11 Subd. 2. Appropriation; payment. The commissioner of revenue shall make the
144.12 payments of the additional 2006 city aid in three installments on May 1, July 20, and
144.13 December 26, 2006. An amount sufficient to pay the aid under this section is appropriated
144.14 to the commissioner of revenue from the general fund.

144.15 EFFECTIVE DATE. This section is effective for aids payable in 2006.

144.16 **Sec. 7. COUNTY TARGETED CASE MANAGEMENT AID.**

144.17 Subdivision 1. Distribution. For 2006 and 2007 only, county targeted case
144.18 management aid shall be allocated to counties based on each county's share of the state
144.19 total of children's social services and mental health services administered by the counties
144.20 under the jurisdiction of the Minnesota Department of Human Services. The aid payable
144.21 under this section must be used by counties to offset reductions in federal funding under
144.22 the Deficit Reduction Act of 2005 for targeted case management.

144.23 Subd. 2. Appropriation; payment. For aids payable in 2006, the total aid under
144.24 this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this
144.25 section is limited to \$20,000,000. The commissioner of revenue shall make the payments
144.26 of the county targeted case management aid in two installments on July 20 and December
144.27 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid
144.28 under this section is appropriated to the commissioner of revenue from the general fund.

144.29 EFFECTIVE DATE. This section is effective for aids payable in 2006 and 2007.

144.30 **Sec. 8. MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

144.31 \$600,000 is appropriated from the tax relief account to the commissioner of revenue
144.32 to be used to make payments to Mahnomen County and the city of Mahnomen to
144.33 compensate them for the loss of property tax revenue due to the placement of land located

145.1 in the city of Mahnomen in trust status during calendar year 2006. The appropriation shall
145.2 be reduced by the amount of any payment in lieu of tax received by Mahnomen County
3 or the city of Mahnomen for the property placed in trust status. The payment shall be
145.4 made on July 20, 2006.

145.5 **Sec. 9. COUNTY REFERENDUM COST REIMBURSEMENT;**
145.6 **APPROPRIATION.**

145.7 If one or more bills are enacted during the 2006 session of the legislature that
145.8 provides for a referendum in 2006 on a proposed constitutional amendment, \$122,000 is
145.9 appropriated from the general fund to the commissioner of revenue to be distributed to
145.10 the counties in proportion to each county's share of the state's registered voters. This is a
145.11 onetime payment, to be paid on July 20, 2006, to compensate the counties for the cost of
145.12 preparing ballots for the constitutional amendment or amendments.

145.13 **Sec. 10. LOCAL TRUNK HIGHWAY IMPROVEMENTS; APPROPRIATION.**

145.14 \$5,000,000 is appropriated from the general fund to the commissioner of
145.15 transportation to be distributed, \$2,500,000 to the City of Nisswa and \$2,500,000 to the
145.16 City of Pequot Lakes, to be used to pay the local share of trunk highway improvement
145.17 projects. The advisory committee established under Minnesota Statutes, section 174.52,
145.18 shall provide recommendations to the cities on the most efficient use of the funds provided.

145.19 **ARTICLE 12**

145.20 **MINERALS**

145.21 **Section 1. Minnesota Statutes 2004, section 298.17, is amended to read:**

145.22 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

145.23 **Subdivision 1. Apportionment under Constitution.** All occupation taxes paid by
145.24 persons, copartnerships, companies, joint stock companies, corporations, and associations,
145.25 however or for whatever purpose organized, engaged in the business of mining or
145.26 producing iron ore or other ores, when collected shall be apportioned and distributed in
145.27 accordance with the Constitution of the state of Minnesota, article X, section 3, in the
145.28 manner following: 90 percent shall be deposited in the state treasury and credited to
145.29 the general fund of which four-ninths shall be used for the support of elementary and
145.30 secondary schools; and ten percent of the proceeds of the tax imposed by this section
145.31 shall be deposited in the state treasury and credited to the general fund for the general
145.32 support of the university.

146.1 **Subd. 2. Apportionment to IRRRB.** Of the moneys apportioned to the general
146.2 fund by this section, and not used for the support of elementary and secondary schools or
146.3 the university, there is annually appropriated and credited to the Iron Range Resources and
146.4 Rehabilitation Board account in the special revenue fund an amount equal to that which
146.5 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable
146.6 ton produced in the preceding calendar year, to be expended for the purposes of section
146.7 298.22. The money appropriated pursuant to this section shall be used (1) to provide
146.8 environmental development grants to local governments located within any county in
146.9 region 3 as defined in governor's executive order number 60, issued on June 12, 1970,
146.10 which does not contain a municipality qualifying pursuant to section 273.134, paragraph
146.11 (b), or (2) to provide economic development loans or grants to businesses located within
146.12 any such county, provided that the county board or an advisory group appointed by
146.13 the county board to provide recommendations on economic development shall make
146.14 recommendations to the Iron Range Resources and Rehabilitation Board regarding the
146.15 loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be
146.16 made by May 15 annually.

146.17 Of the money allocated to Koochiching County, one-third must be paid to the
146.18 Koochiching County Economic Development Commission.

146.19 **Subd. 3. Apportionment to Minnesota minerals 21st century fund.** The
146.20 money apportioned to the general fund by this section that is not used for the support of
146.21 elementary and secondary schools or the university, and that is not apportioned under
146.22 subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund
146.23 created in section 116J.423.

146.24 **EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent
146.25 years.

146.26 Sec. 2. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is
146.27 amended to read:

146.28 Subdivision 1. **Creation; purposes.** A fund called the taconite environmental
146.29 protection fund is created for the purpose of reclaiming, restoring and enhancing those
146.30 areas of northeast Minnesota located within the taconite assistance area defined in section
146.31 273.1341, that are adversely affected by the environmentally damaging operations
146.32 involved in mining taconite and iron ore and producing iron ore concentrate and for the
146.33 purpose of promoting the economic development of northeast Minnesota. The taconite
146.34 environmental protection fund shall be used for the following purposes:

147.1 (a) to initiate investigations into matters the Iron Range Resources and Rehabilitation
147.2 Board determines are in need of study and which will determine the environmental
3 problems requiring remedial action;

147.4 (b) reclamation, restoration, or reforestation of minelands not otherwise provided
147.5 for by state law;

147.6 (c) local economic development projects but only if those projects are approved by
147.7 the board, and public works, including construction of sewer and water systems located
147.8 within the taconite assistance area defined in section 273.1341;

147.9 (d) monitoring of mineral industry related health problems among mining
147.10 employees; and

147.11 (e) local renewable energy investments undertaken in cooperation with local units of
147.12 government and mineland areas reforestation, reclamation, or development projects. The
13 projects must be approved by the Iron Range Resources and Rehabilitation Board and
147.14 located within the taconite assistance area as defined in section 273.1341. The board may
147.15 enter into joint ventures with private or public entities to advance these project.

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

147.17 Sec. 3. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision
147.18 to read:

147.19 **Subd. 10a. Post-2005 increases.** (a) This subdivision applies to determine
147.20 distribution of the proceeds of the tax that are attributable to increasing the rate of tax by
147.21 the percentage increase in the implicit price deflator under section 298.24, subdivision 1,
22 paragraph (b). It applies only to increases applicable for production year 2006 and later.
147.23 Its provisions supercede the provisions of subdivision 10 for those increases.

147.24 (b) The proceeds are allocated as follows:

147.25 (1) .10 cent per taxable ton to the Range Association of Municipalities and Schools;

147.26 (2) an amount equal to two cents per taxable ton is allocated to the city or town in the
147.27 county in which the land from which the taconite was mined or quarried or within which
147.28 the concentrate was produced. If the mining, quarrying, and concentration, or different
147.29 steps in either thereof are carried on in more than one taxing district, the commissioner
147.30 shall apportion equitably the proceeds of the part of the tax going to cities and towns
147.31 among the subdivisions by attributing 50 percent of the proceeds of the tax to the operation
147.32 of mining or quarrying the taconite, and the remainder to the concentrating plant and to the
147.33 processes of concentration, and with respect to each thereof giving due consideration to the
147.34 relative extent of such operations performed in each taxing district. The commissioner's

148.1 apportionment order is subject to review by the Tax Court upon petition by any of the
148.2 interested taxing districts, in the same manner as other orders of the commissioner; and
148.3 (3) the remainder of the revenue is allocated to the taconite environmental protection
148.4 fund for projects under section 298.223, subdivision 1, clause (e).

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

148.6 Sec. 4. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4, is
148.7 amended to read:

148.8 Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions
148.9 under section 298.28, subdivision 9b, and to make grants or loans as provided in this
148.10 subdivision. Any grant or loan made under this subdivision must be approved by
148.11 a majority of the members of the Iron Range Resources and Rehabilitation Board,
148.12 established under section 298.22.

148.13 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia
148.14 for improvements and repairs to the city's steam heating system.

148.15 (c) Distributions received in calendar year 2006 are allocated to a project of the
148.16 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical
148.17 generating plants to the use of biomass products, such as wood.

148.18 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to
148.19 be used for the East Two Rivers project in or near the city of Tower.

148.20 (e) For distributions received in 2008 and later, ~~amounts may be allocated to joint~~
148.21 ~~ventures with mining companies for reclamation of lands containing abandoned or worked~~
148.22 ~~out mines to convert these lands to marketable properties for residential, recreational,~~
148.23 ~~commercial, or other valuable uses~~ the first \$2,000,000 must be paid to St. Louis County
148.24 for deposit in its county road and bridge fund to be used for relocation of St. Louis County
148.25 Road 715, commonly referred to as Pike River Road, and the remainder is allocated for
148.26 projects under section 298.223, subdivision 1, clause (e).

148.27 Sec. 5. Minnesota Statutes 2004, section 298.2961, is amended by adding a subdivision
148.28 to read:

148.29 **Subd. 5. Public works and local economic development fund.** For distributions in
148.30 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would
148.31 be allocated under section 298.28, subdivision 6. The following amounts are allocated
148.32 for the specific purposes:

148.33 (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for
148.34 construction of a combined wastewater facility;

- 149.1 (2) six cents per ton to the city of Eveleth to redesign and design and construct
149.2 improvements to renovate its water treatment facility;
3 (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to
149.4 design a central wastewater collection and treatment system;
149.5 (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;
149.6 (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;
149.7 (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;
149.8 (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and
149.9 Indiana Avenues and for repayment of the Delta Dental loan to the Minnesota Department
149.10 of Employment and Economic Development;
149.11 (8) 0.4 cents per ton to the city of Keewatin for a new city well;
149.12 (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous
13 materials center;
149.14 (10) 0.9 cents per ton to Aitkin County Growth for an economic development
149.15 project for peat harvesting;
149.16 (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;
149.17 (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive
149.18 plan;
149.19 (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;
149.20 (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake
149.21 Environmental Learning Center;
149.22 (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;
149.23 (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand
24 Rapids for planning for the North Central Research and Technology Laboratory;
149.25 (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;
149.26 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and
149.27 (19) ten cents per ton to an economic development authority in a city through which
149.28 State Highway 1 passes, or a city in Independent School District No. 2142 that has an
149.29 active mine, for an economic development project approved by the Iron Range Resources
149.30 and Rehabilitation Board.

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

149.32 Sec. 6. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision
149.33 to read:

149.34 Subd. 10. Tax may be imposed; Sylvan Township. (a) If Cass County does not
149.35 impose a tax under this section and approves imposition of the tax under this subdivision,

150.1 the town of Sylvan in Cass County may impose the aggregate materials tax under this
150.2 section.

150.3 (b) For purposes of exercising the powers contained in this section, the "town" is
150.4 deemed to be the "county."

150.5 (c) All provisions in this section apply to the town of Sylvan, except that, in lieu
150.6 of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must
150.7 be retained by the town.

150.8 (d) If Cass County imposes an aggregate materials tax under this section, the tax
150.9 imposed by the town of Sylvan under this subdivision is repealed on the effective date
150.10 of the Cass County tax.

150.11 **EFFECTIVE DATE.** This section is effective the day after the governing body of
150.12 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions
150.13 2 and 3.

150.14 **ARTICLE 13**

150.15 **MISCELLANEOUS**

150.16 Section 1. Minnesota Statutes 2004, section 240.06, subdivision 5a, is amended to read:

150.17 Subd. 5a. **Additional license; metropolitan area.** (a) Notwithstanding subdivision
150.18 5, the commission may issue one additional class A license within the seven-county
150.19 metropolitan area, provided that the additional license may only be issued for a facility:

150.20 (1) located more than 20 miles from any other racetrack in existence on January
150.21 1, 1987;

150.22 (2) containing a track no larger than five-eighths of a mile in circumference;

150.23 (3) ~~used exclusively for~~ at which standardbred racing is the only form of live horse
150.24 racing conducted;

150.25 (4) not owned or operated by a governmental entity or a nonprofit organization; and

150.26 (5) that has a current road or highway system adequate to facilitate present and
150.27 future vehicular traffic expeditiously to and from the facility.

150.28 The consideration of clause (5) shall prevail when two competing licensees are
150.29 relatively equal regarding other considerations mandated by law or rule.

150.30 (b) An application for an additional class A license within the seven-county
150.31 metropolitan area may not delay or adversely affect an application for a class A license for
150.32 a facility to be located outside the seven-county metropolitan area.

151.1 Sec. 2. Minnesota Statutes 2004, section 240.06, is amended by adding a subdivision
151.2 to read:

3 **Subd. 5b. Sharing of purse set-aside and breeders fund revenues.**

151.4 Notwithstanding subdivision 5, a class A licensed racetrack operating within the
151.5 seven-county metropolitan area may:

151.6 (1) enter into an agreement with a horsepersons' organization that represents a breed
151.7 other than the breed racing at the licensee's racetrack under which the licensee agrees to
151.8 pay a percentage of simulcasting or card club revenues to the purse set-aside account of
151.9 another class A licensed racetrack operating within the seven-county metropolitan area.
151.10 The licensee may only enter into such an agreement with a horsepersons' organization
151.11 that represents a breed other than the breed racing at the licensee's racetrack. All amounts
151.12 contributed to a class A racetrack under such an agreement must go to purses for races
13 run at that racetrack; and

151.14 (2) conduct simulcasting on all breeds of horses if it:

151.15 (i) enters into an agreement with another class A licensed racetrack within the
151.16 seven-county metropolitan area regarding simulcasting of any breed of horses raced at
151.17 such other class A licensed racetrack that the class A racetrack elects to simulcast; and

151.18 (ii) contributes to the purse set-aside account of another class A licensed racetrack
151.19 operating within the seven-county metropolitan area, and to the breeders fund, an amount
151.20 equal to the amount that would have been contributed to the set-aside account and the
151.21 breeders fund, as required by statute, if the simulcast had been conducted at such other
151.22 class A licensed racetrack. The percentages used to determine the amount of the simulcast
151.23 contribution to the purse set-aside account and the breeders fund will be the percentages
151.24 required under law. Contributions to the purse set-aside account shall be used by such
151.25 other class A licensed racetrack for purses for races conducted by that racetrack in the
151.26 same manner as if the simulcast had occurred at that racetrack.

151.27 Sec. 3. Minnesota Statutes 2004, section 240.13, subdivision 6, is amended to read:

151.28 **Subd. 6. Simulcasting.** (a) The commission may permit an authorized licensee to
151.29 conduct simulcasting at the licensee's facility on any day authorized by the commission.
151.30 All simulcasts must comply with the Interstate Horse Racing Act of 1978, United States
151.31 Code, title 15, sections 3001 to 3007.

151.32 (b) The commission may not authorize any day for simulcasting at a class A facility
33 during the racing season, and a licensee may not be allowed to transmit out-of-state
151.34 telecasts of races the licensee conducts, unless the licensee has obtained the approval of
151.35 the horsepersons' organization representing the majority of the horsepersons racing the

152.1 breed involved at the licensed racetrack during the preceding 12 months. In the case of
152.2 a class A facility licensed under section 240.06, subdivision 5a, the approval applicable
152.3 to the first year of the racetrack's operation may be obtained from the horsepersons'
152.4 organization that represents the majority of horsepersons who will race the breed involved
152.5 at the licensed racetrack during the first year of the racetrack's operation.

152.6 (c) The licensee may pay fees and costs to an entity transmitting a telecast of a
152.7 race to the licensee for purposes of conducting pari-mutuel wagering on the race. The
152.8 licensee may deduct fees and costs related to the receipt of televised transmissions from a
152.9 pari-mutuel pool on the televised race, provided that one-half of any amount recouped in
152.10 this manner must be added to the amounts required to be set aside for purses.

152.11 (d) With the approval of the commission and subject to the provisions of this
152.12 subdivision, a licensee may transmit telecasts of races it conducts, for wagering purposes,
152.13 to locations outside the state, and the commission may allow this to be done on a
152.14 commingled pool basis.

152.15 (e) Except as otherwise provided in this section, simulcasting may be conducted
152.16 on a separate pool basis or, with the approval of the commission, on a commingled pool
152.17 basis. All provisions of law governing pari-mutuel betting apply to simulcasting except
152.18 as otherwise provided in this subdivision or in the commission's rules. If pools are
152.19 commingled, wagering at the licensed facility must be on equipment electronically linked
152.20 with the equipment at the licensee's class A facility or with the sending racetrack via
152.21 the totalizator computer at the licensee's class A facility. Subject to the approval of the
152.22 commission, the types of betting, takeout, and distribution of winnings on commingled
152.23 pari-mutuel pools are those in effect at the sending racetrack. Breakage for pari-mutuel
152.24 pools on a televised race must be calculated in accordance with the law or rules governing
152.25 the sending racetrack for these pools, and must be distributed in a manner agreed to
152.26 between the licensee and the sending racetrack. Notwithstanding subdivision 7 and
152.27 section 240.15, subdivision 5, the commission may approve procedures governing the
152.28 definition and disposition of unclaimed tickets that are consistent with the law and rules
152.29 governing unclaimed tickets at the sending racetrack. For the purposes of this section,
152.30 "sending racetrack" is either the racetrack outside of this state where the horse race is
152.31 conducted or, with the consent of the racetrack, an alternative facility that serves as the
152.32 racetrack for the purpose of commingling pools.

152.33 (f) Except as otherwise provided in section 240.06, subdivision 5b, clause (2),
152.34 if there is more than one class B licensee conducting racing within the seven-county
152.35 metropolitan area, simulcasting may be conducted only on races run by a breed that ran at
152.36 the licensee's class A facility within the 12 months preceding the event.

153.1 Sec. 4. Minnesota Statutes 2004, section 240.135, is amended to read:

153.2 **240.135 CARD CLUB REVENUE.**

153.3 (a) From the amounts received from charges authorized under section 240.30,
153.4 subdivision 4, the licensee shall set aside the amounts specified in this section to be
153.5 used for purse payments. These amounts are in addition to the breeders fund and purse
153.6 requirements set forth elsewhere in this chapter.

153.7 (1) For amounts between zero and \$6,000,000, the licensee shall set aside ten
153.8 percent to be used as purses.

153.9 (2) For amounts in excess of \$6,000,000, the licensee shall set aside 14 percent to
153.10 be used as purses.

153.11 (b) From all amounts set aside under paragraph (a), the licensee shall set aside ten
153.12 percent to be deposited in the breeders fund.

153.13 (c) The licensee and the horseperson's organization representing the majority of
153.14 horsepersons who have raced at the racetrack during the preceding 12 months, or, in the
153.15 case of a racetrack licensed under section 240.06, subdivision 5a, will race at the racetrack
153.16 during the first year of the racetrack's operation, may negotiate percentages different
153.17 from those stated in this section if the agreement is in writing and filed with the Racing
153.18 Commission.

153.19 ~~(c)~~ (d) It is the intent of the legislature that the proceeds of the card playing activities
153.20 authorized by this chapter be used to improve the horse racing industry by improving
153.21 purses. The commission shall annually review the financial details of card playing
153.22 activities and determine if the present use of card playing proceeds is consistent with the
153.23 policy established by this paragraph. If the commission determines that the use of the
153.24 proceeds does not comply with the policy set forth herein, then the commission shall direct
153.25 the parties to make the changes necessary to ensure compliance. If these changes require
153.26 legislation, the commission shall make the appropriate recommendations to the legislature.

153.27 Sec. 5. Minnesota Statutes 2004, section 240.30, subdivision 5, is amended to read:

153.28 Subd. 5. **Limitation.** (a) Except as provided in paragraph (b), the commission
153.29 shall not authorize a licensee to operate a card club unless the licensee has conducted at
153.30 least 50 days of live racing at a class A facility within the past 12 months or during the
153.31 preceding calendar year.

153.32 (b) In the case of a racetrack licensed under section 240.06, subdivision 5a, during
153.33 the first 12 months of the racetrack's operation, the commission may authorize the licensee
153.34 to operate a card club when the licensee has been assigned dates by the commission for at
153.35 least 50 days of live racing during those 12 months.

154.1 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
154.2 amended to read:

154.3 Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"
154.4 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and
154.5 that is prescribed by the commissioner. If permitted by the commissioner, it includes a
154.6 telephone communication.

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

154.8 Sec. 7. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT**
154.9 **WITH INTERNAL REVENUE SERVICE.**

154.10 The commissioner of revenue shall enter into an agreement with the United States
154.11 Internal Revenue Service to participate in a tax processing program whereby the Internal
154.12 Revenue Service processes electronically filed state returns together with the federal
154.13 returns. If possible, the ability of taxpayers to file property tax refund claims under chapter
154.14 290A with state income tax returns must be preserved.

154.15 Sec. 8. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is
154.16 amended to read:

154.17 Subd. 83. **International economic development zone property.** (a) Improvements
154.18 to real property, and personal property, classified under section 273.13, subdivision
154.19 24, and located within the international economic development zone designated under
154.20 section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the
154.21 improvements are:

154.22 (1) part of a regional distribution center as defined in section 469.321; or

154.23 (2) occupied by a qualified business as defined in section 469.321, that uses the
154.24 improvements primarily in freight forwarding operations.

154.25 (b) ~~The exemption applies beginning for the first assessment year after designation of~~
154.26 ~~the international economic development zone.~~ The exemption applies to each assessment
154.27 year that begins during the duration of the international economic development zone. To
154.28 be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the
154.29 assessment year by a qualified business that has signed the business subsidy agreement
154.30 by July 1 of the assessment year.

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

154.32 Sec. 9. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

Subd. 2. Withholding statement to employee or payee and to commissioner. (a)

A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by this paragraph with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation

of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting requirements of section 6011(c) of the Internal Revenue Code and the regulations issued under it~~ by electronic means.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for returns due after June 30, 2006.

Sec. 10. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3;

(7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310; and

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone.

157.1 Entities not specifically exempted by this subdivision are subject to tax under this
157.2 section, notwithstanding section 290.05.

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

157.4 Sec. 11. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3,
157.5 is amended to read:

157.6 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales
157.7 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts
157.8 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the
157.9 total sales or receipts apportioned or attributed to Minnesota pursuant to any other
157.10 apportionment formula applicable to the taxpayer.

157.11 (b) "Minnesota property" means total Minnesota tangible property as provided in
157.12 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,
157.13 but does not include: (1) property located in a job opportunity building zone designated
157.14 under section 469.314, or (2) property of a qualified business located in a biotechnology
157.15 and health sciences industry zone designated under section 469.334, or (3) for taxable
157.16 years beginning during the duration of the zone, property of a qualified business located
157.17 in the international economic development zone designated under section 469.322.
157.18 Intangible property shall not be included in Minnesota property for purposes of this
157.19 section. Taxpayers who do not utilize tangible property to apportion income shall
157.20 nevertheless include Minnesota property for purposes of this section. On a return for
157.21 a short taxable year, the amount of Minnesota property owned, as determined under
157.22 section 290.191, shall be included in Minnesota property based on a fraction in which the
157.23 numerator is the number of days in the short taxable year and the denominator is 365.

157.24 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section
157.25 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls
157.26 under section 469.310, subdivision 8, or (2) biotechnology and health sciences industry
157.27 zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning
157.28 during the duration of the zone, international economic development zone payrolls under
157.29 section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income
157.30 shall nevertheless include Minnesota payrolls for purposes of this section.

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

157.32 Sec. 12. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

158.1 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under
158.2 subdivision 1, a hospital or health care provider may claim an annual credit against the
158.3 total amount of tax, if any, the hospital or health care provider owes for that calendar
158.4 year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues
158.5 for patient services used to fund expenditures for qualifying research conducted by an
158.6 allowable research program. The amount of the credit shall not exceed the tax liability of
158.7 the hospital or health care provider under sections 295.50 to 295.57.

158.8 (b) For purposes of this subdivision, the following requirements apply:

158.9 (1) expenditures must be for program costs of qualifying research conducted by
158.10 an allowable research program;

158.11 (2) an allowable research program must be a formal program of medical and
158.12 health care research conducted by an entity which is exempt under section 501(c)(3)
158.13 of the Internal Revenue Code of 1986 or is owned and operated under authority of a
158.14 governmental unit;

158.15 (3) qualifying research must:

158.16 (A) be approved in writing by the governing body of the hospital or health care
158.17 provider which is taking the deduction under this subdivision;

158.18 (B) have as its purpose the development of new knowledge in basic or applied
158.19 science relating to the diagnosis and treatment of conditions affecting the human body;

158.20 (C) be subject to review by individuals with expertise in the subject matter of the
158.21 proposed study but who have no financial interest in the proposed study and are not
158.22 involved in the conduct of the proposed study; and

158.23 (D) be subject to review and supervision by an institutional review board operating
158.24 in conformity with federal regulations if the research involves human subjects or
158.25 an institutional animal care and use committee operating in conformity with federal
158.26 regulations if the research involves animal subjects. Research expenses are not exempt if
158.27 the study is a routine evaluation of health care methods or products used in a particular
158.28 setting conducted for the purpose of making a management decision. Costs of clinical
158.29 research activities paid directly for the benefit of an individual patient are excluded from
158.30 this exemption. Basic research in fields including biochemistry, molecular biology, and
158.31 physiology are also included if such programs are subject to a peer review process.

158.32 (c) No credit shall be allowed under this subdivision for any revenue received by the
158.33 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a
158.34 government or nongovernment source, on which the tax liability under section 295.52 is
158.35 not imposed.

(d) The taxpayer shall apply for the credit under this section on the annual return under section 295.55, subdivision 5.

(e) Beginning September 1, 2001, if the actual or estimated amount paid under this section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance shall determine the rate of the research credit for the following calendar year to the nearest one-half percent so that refunds paid under this section will most closely equal ~~\$2,500,000~~ \$7,000,000. The commissioner of finance shall publish in the State Register by October 1 of each year the rate of the credit for the following calendar year. A determination under this section is not subject to the rulemaking provisions of chapter 14.

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

Sec. 13. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

Sec. 14. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is amended to read:

Subd. 41. **International economic development zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in the international economic development zone designated under section 469.322.

(b) Purchase and use of construction materials, supplies, and equipment incorporated into the construction of improvements to real property in the international economic development zone are exempt if the improvements after completion of construction are to be used as a regional distribution center as defined in section 469.321 or otherwise used in the conduct of freight forwarding activities of a qualified business as defined in section 469.321. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax, regardless of whether the local tax is imposed on sales taxable under this chapter or in another law, ordinance, or charter provision.

(d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales during the duration of the zone and after June 30, 2007, if the purchase was made and delivery received after the business signs the business subsidy agreement required under chapter 469 and purchases made after the date of final zone designation under section 469.322, paragraph (c), and before the expiration of the zone under section 469.322, paragraph (d).

(e) For purchases made for improvements to real property to be occupied by a business that has not signed a business subsidy agreement at the time of the purchase, 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 ~~beginning in fiscal year 2008~~. The taxpayer must attach to the claim for refund information sufficient for the commissioner to be able to determine that the improvements are being occupied by a business that has signed a business subsidy agreement.

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

Sec. 15. **[297F.012] FIRE SAFETY ACCOUNT.**

Subdivision 1. Authorized programs within department. From the revenues appropriated under subdivision 2, the commissioner of public safety shall expend funds for the activities and programs identified by the advisory committee established under subdivision 2 and recommended to the commissioner of public safety. These funds are to be used to provide resources needed for identified activities and programs of the Minnesota fire service and to ensure the State Fire Marshal Division responsibilities are fulfilled.

Subd. 2. Fire service advisory committee. The Fire Service Advisory Committee shall provide recommendations to the commissioner of public safety on fire service related issues and shall consist of representatives of each of the following organizations: two appointed by the president of the Minnesota State Fire Chiefs Association, two appointed by the president of the Minnesota State Fire Department Association, two appointed by the president of the Minnesota Professional Fire Fighters, two appointed by the president of the League of Minnesota Cities, one appointed by the president of the Minnesota Association of Townships, one appointed by the president of the Insurance Federation of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the International Association of Arson Investigators and the Fire Marshals Association of Minnesota, and the commissioner of public safety or the commissioner's designee. The commissioner of public safety must ensure that at least three of the members of the advisory committee work and reside in counties outside of the seven-county metropolitan

area. The committee shall provide funding recommendations to the commissioner of public safety from the fire safety fund for the following purposes:

- (1) for the Minnesota Board of Firefighter Training and Education;
- (2) for programs and staffing for the State Fire Marshal Division; and
- (3) for fire-related regional response team programs and any other fire service programs that have the potential for statewide impact.

Subd. 3. Report; accounting; carryover. The commissioner of public safety shall, by December 1 of each year, (1) provide an accounting of how the funds in the fire safety account were spent in the preceding fiscal year and (2) report any funds not spent in a fiscal year to the chairs of the committees of the house of representatives and the senate having jurisdiction over public safety finance. Money in the account does not cancel but remains available for expenditures for the programs identified in subdivisions 1 and 2.

EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies written or renewed on or after that date.

Sec. 16. [297I.06] FIRE SAFETY ACCOUNT.

Subdivision 1. Insurance policies surcharge. (a) Except as otherwise provided in subdivision 2, each insurer engaged in writing policies of homeowners insurance authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies shall collect a surcharge equal to .75 percent of the gross premiums and assessments, less return premiums, on direct business received by the company, or by its agents for it, for homeowner's insurance policies and commercial fire insurance policies in this state. The definitions under section 297I.01 apply for purposes of this section.

(b) The surcharge amount collected under paragraph (a) may not be considered premium for any purpose, including the computation of premium tax or agents' commissions. The surcharge amount must be separately stated on either a billing or policy declaration sent to an insured. Insurers shall remit the revenue derived from this section at least quarterly to the Department of Revenue for deposit in the fire safety account established pursuant to subdivision 2.

Subd. 2. Exemptions. (a) This section does not apply to a farmers' mutual fire insurance company or township mutual fire insurance company in Minnesota organized under chapter 67A.

(b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to transact business in Minnesota shall elect to remit to the Department of Revenue for deposit in the fire safety account either (1) the surcharge amount collected under this

162.1 section or (2) a tax of one-half of one percent on the gross fire premiums and assessments,
162.2 less return premiums, on all direct business received by the insurer during the year.

162.3 (c) For purposes of this subdivision, "gross fire premiums and assessments" includes
162.4 premiums on policies covering fire risks only on automobiles, whether written under
162.5 floater form or otherwise.

162.6 Subd. 3. Fire safety account, annual transfers, allocation. A special account, to
162.7 be known as the fire safety account, is created in the state treasury. The account consists of
162.8 the proceeds under subdivision 1. \$250,000 of the revenue in the account each year is
162.9 appropriated to the Department of Revenue to offset the cost of collecting and transferring
162.10 the funds. Revenue in excess of \$250,000 is appropriated to the Department of Public
162.11 Safety and must be used for the activities and programs identified by the commissioner of
162.12 the Department of Public Safety as essential fire service programs within Minnesota.

162.13 EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies
162.14 written or renewed on or after that date.

162.15 Sec. 17. Minnesota Statutes 2004, section 297I.30, is amended by adding a subdivision
162.16 to read:

162.17 Subd. 8. Fire insurance surcharge. On or before May 15, August 15, November
162.18 15, and February 15 of each year, every insurer required to pay the surcharge under
162.19 section 297I.06, subdivision 1, shall file a return with the commissioner for the preceding
162.20 three-month period ending March 31, June 30, September 30, and December 31, setting
162.21 forth any information the commissioner reasonably requires on forms prescribed by the
162.22 commissioner.

162.23 EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies
162.24 written or renewed on or after that date.

162.25 Sec. 18. [469.193] FOREIGN TRADE ZONES.

162.26 A city, county, town, or other political subdivision may apply to the board defined in
162.27 United States Code, title 19, section 81a, for the right to use the powers provided in United
162.28 States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or
162.29 other political subdivision may use the powers within or outside of a port district. Any
162.30 city, county, town, or other political subdivision may apply jointly with any other city,
162.31 county, town, or other political subdivision.

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

163.1 Sec. 19. Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

163.2 **469.322 DESIGNATION OF INTERNATIONAL ECONOMIC**
163.3 **DEVELOPMENT ZONE.**

163.4 (a) An area designated as a foreign trade zone may be designated by the foreign
163.5 trade zone authority as an international economic development zone if within the zone
163.6 a regional distribution center is being developed pursuant to section 469.323. The zone
163.7 must consist of contiguous area of not less than 500 acres and not more than 1,000 acres.
163.8 The designation authority under this section is limited to one zone.

163.9 (b) In making the designation, the foreign trade zone authority, in consultation with
163.10 the Minnesota Department of Transportation and the Metropolitan Council, shall consider
163.11 access to major transportation routes, consistency with current state transportation and
163.12 air cargo planning, adequacy of the size of the site, access to airport facilities, present
163.13 and future capacity at the designated airport, the capability to meet integrated present
163.14 and future air cargo, security, and inspection services, and access to other infrastructure
163.15 and financial incentives. The border of the international economic development zone
163.16 must be no more than 60 miles distant or 90 minutes drive time from the border of the
163.17 Minneapolis-St. Paul International Airport.

163.18 (c) Final zone designation must be made by June 30, ~~2006~~ 2008.

163.19 (d) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

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

163.21 Sec. 20. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is
163.22 amended to read:

163.23 Subd. 2. **Business plan.** Before designation of an international economic
163.24 development zone under section 469.322, the governing body of the foreign trade zone
163.25 authority shall prepare a business plan. The findings of the business plan shall be
163.26 presented to the legislature pursuant to section 3.195. Copies of the business plan shall be
163.27 provided to the chairs of committees with jurisdiction over transportation and economic
163.28 development. The plan must include an analysis of the economic feasibility of the regional
163.29 distribution center once it becomes operational and of the operations of freight forwarders
163.30 and other businesses that choose to locate within the boundaries of the zone. The analysis
163.31 must provide profitability models that:

163.32 (1) include the benefits of the incentives;

163.33 (2) estimate the amount of time needed to achieve profitability; and

164.1 (3) analyze the length of time incentives will be necessary to the economic viability
164.2 of the regional distribution center.

164.3 If the governing body of the foreign trade authority determines that the models do
164.4 not establish the economic feasibility of the project, the regional distribution center does
164.5 not meet the development requirements of this section and section 469.322.

164.6 Sec. 21. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

164.7 **469.327 JOBS CREDIT.**

164.8 Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against
164.9 the taxes imposed under chapter 290. The credit equals seven percent of the:

164.10 (1) lesser of:

164.11 (i) zone payroll for the taxable year, less the zone payroll for the base year; or

164.12 (ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for
164.13 the base year; minus

164.14 (2) \$30,000 multiplied by the number of full-time equivalent employees that the
164.15 qualified business employs in the international economic development zone for the taxable
164.16 year, minus the number of full-time equivalent employees the business employed in the
164.17 zone in the base year, but not less than zero.

164.18 (b) This section applies only to tax years beginning during the duration of the
164.19 international economic development zone.

164.20 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have
164.21 the meanings given.

164.22 (b) "Base year" means the taxable year beginning during the calendar year
164.23 immediately preceding the calendar year in which the ~~zone designation was made~~ duration
164.24 of the zone begins under section 469.322, paragraph (d).

164.25 (c) "Full-time equivalent employees" means the equivalent of annualized expected
164.26 hours of work equal to 2,080 hours.

164.27 (d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under
164.28 section 290.191, subdivision 12, for the qualified business or the unitary business of which
164.29 the qualified business is a part, whichever is greater.

164.30 (e) "Zone payroll" means wages or salaries used to determine the zone payroll
164.31 factor for the qualified business, less the amount of compensation attributable to any
164.32 employee that exceeds \$70,000.

164.33 Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31,
164.34 ~~2006~~ 2010, the dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are

165.1 annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by
165.2 the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under
165.4 chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this
165.6 section is appropriated to the commissioner of revenue from the general fund.

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

165.8 Sec. 22. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended
165.9 to read:

165.10 Sec. 23. **GRANTS TO QUALIFYING BUSINESSES.**

165.11

165.12 \$750,000 is appropriated in fiscal year 2006 from the general fund to the
165.13 commissioner of employment and economic development to be distributed to the foreign
165.14 trade zone authority to provide grants to qualified businesses as determined by the
165.15 authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide
165.16 incentives for the businesses to locate their operations in an international economic
165.17 development zone. If the money is not distributed during fiscal year 2006, it remains
165.18 available for distribution under this section ~~during fiscal year 2007~~ until December 31,
165.19 2010.

165.20 Sec. 23. **PROPERTY TAX REFUND COLLECTION ACTION PROHIBITED;**
21 **REFUNDS REQUIRED.**

165.22 Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other
165.23 law to the contrary, the commissioner of revenue shall not disallow any part of a claim
165.24 for a property tax refund filed in 2005 or an earlier year to the extent that the claim
165.25 was excessive because it did not include in the claimant's income as determined under
165.26 Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount
165.27 provided by a postsecondary education institution. If a claimant was required to repay
165.28 any part of a property tax refund based on inclusion of this discount in the claimant's
165.29 income on a claim filed in 2005 or an earlier year, the commissioner must refund that
165.30 amount to the claimant.

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

166.1 Sec. 24. **JOINT STUDY BY COMMISSIONERS OF REVENUE AND**
166.2 **DEPARTMENT OF EMPLOYEE RELATIONS.**

166.3 In order to increase compliance with income and franchise taxes and tax laws, the
166.4 commissioners of the Departments of Revenue and Employee Relations, in consultation
166.5 with the affected bargaining units, shall study the competitiveness of compensation of
166.6 tax compliance auditors within the Department of Revenue. The study shall consider
166.7 the performance of compliance auditors, including training, experience, employment
166.8 classification, and duties. The study shall be completed by October 15, 2006, and the
166.9 commissioner of employee relations shall implement its recommendations.

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

166.11 Sec. 25. **SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**
166.12 **ENGLISH PROFICIENCY.**

166.13 The commissioner of revenue shall study and implement procedures and services
166.14 that will assist sales and use taxpayers of limited English proficiency in complying with
166.15 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,
166.16 and instructions into Spanish and other languages must be considered. In addition, the
166.17 commissioner shall study how to direct taxpayers of limited English proficiency who
166.18 contact the Department of Revenue by telephone to assistance in Spanish and other
166.19 languages as determined by the commissioner. The commissioner shall report on the
166.20 results of the study and a plan to implement them to the senate and house of representatives
166.21 committees with jurisdiction over tax laws by February 1, 2007.

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

166.23 Sec. 26. **TRANSFER OF MONEY.**

166.24 Any money in the tax relief account under Minnesota Statutes, section 16A.1522,
166.25 subdivision 4, on the day following final enactment of this act is transferred to the general
166.26 fund.

166.27 Sec. 27. **REPEALER.**

166.28 Minnesota Statutes 2004, section 297I.05, subdivision 6, is repealed.

166.29 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to policies
166.30 written or renewed on or after that date.

275.025 STATE GENERAL TAX.

Subd. 4. **Apportionment and levy of state general tax.** Ninety-five percent of the state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

297A.68 BUSINESS EXEMPTIONS.

Subd. 15. **Outstate delivery by seller.** Property is exempt if:

(1) it is delivered in one of the following ways:

(i) delivery by the seller to a common carrier for delivery outside Minnesota;

(ii) placement in the United States mail or parcel post directed to the purchaser outside Minnesota; or

(iii) delivery to the purchaser outside Minnesota by means of the seller's own delivery vehicles; and

(2) it is not later returned to a point within Minnesota, except in the course of interstate commerce.

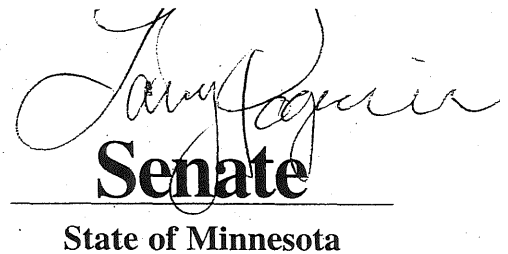
Subd. 18. **Custom computer software.** The design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program is exempt. "Custom computer program" means a computer program prepared to the special order of the customer, either in the form of written procedures or contained on tapes, discs, cards, or another device, or any required documentation or manuals designed to facilitate the use of the custom computer program transferred. It includes those services represented by separately stated charges for modifications to an existing prewritten program that are prepared to the special order of the customer. It does not include a "canned" or prewritten computer program that is held or existing for general or repeated sale or lease, even if the prewritten or "canned" program was initially developed on a custom basis or for in-house use. Modification to an existing prewritten program to meet the customer's needs is custom computer programming only to the extent of the modification.

297I.05 TAX IMPOSED.

Subd. 6. **Fire insurance tax.** A tax is imposed on every licensed company, including reciprocals or interinsurance exchanges, doing business in this state, except farmers' mutual fire insurance companies and township fire insurance companies. The rate of tax is equal to one-half of one percent of the gross fire premiums and assessments, less return premiums, on all direct business received by the company in this state, or by its agents for it, in cash or otherwise, during the year. "Gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise.

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR



S.F. No. 3131 - Omnibus Tax Bill

Author: Senator Lawrence Pogemiller

Prepared by: JoAnne Zoff Sellner, Senate Counsel (651/296-3803) *JS*
Michelle Allen, Senate Counsel (651/296-0558) *MA*
Jack Paulson, Senate Research (651/296-4954) *JP*

Date: April 17, 2006

**ARTICLE 1
INCOME**

Sections 1 and 5 Beginning Farmer Program and Tax Credits. 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 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 3 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 4 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 6 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 7 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 8 Historic Structure Rehabilitation Credit. Provides a nonrefundable income tax credit of 25 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 9 Prohibition Against Deducting Fines and Penalties. Prohibits businesses from deducting criminal or civil fines, penalties, or damages.

ARTICLE 2 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.

Section 6 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.

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 12 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 13 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 14, 15, and 16 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 17 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 18 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 19 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 20 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 21 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 22 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 23 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 24 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 25 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 26 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 27 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 28 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 29 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 30 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 3 FOREIGN OPERATION 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 4 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 Cross-reference. Corrects a cross reference.

Section 6 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 7 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 8 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 9 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 10 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 11 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 12 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 13 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 14 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 15 Ag Valuation; Short Rotation Woody Crops. Conforms to the changes made in section 11 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.

Section 16 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 17 State General Levy. Freezes the rate of the state general levy on commercial industrial property at the level in effect for taxes payable in 2004. The apportionment of the state general levy to be 95 percent commercial industrial and 5 percent seasonal is eliminated in section 27. The dollar amount of the state general levy on seasonal property in 2006 continues to be indexed for inflation. *REMOVED VIA AMEND*

Section 18 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 19 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 20 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 21 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 22 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 23 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 24 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 25 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 26 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 bill would extend that deadline to October 8 in 2007 only.

Section 27 Repealer. Repeals the provision which split the state general levy with 95 percent allocated to commercial-industrial and 5 percent to seasonal recreational. Section 17 indexes the dollar amount of the payable 2006 state general levy on seasonal recreational property for inflation.

**ARTICLE 5
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 2006 and thereafter.

ARTICLE 6 DEPARTMENT OF REVENUE SALES AND USE TAX

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 International Economic Development Zones. Amends Minn. Stat. § 297A.68, subd. 41, to provide that state and local sales tax must be paid on (a) purchases before July 1, 2007 of building materials, supplies and equipment incorporated into the construction of real property in the international economic development zone, and (b) purchases of goods and services for use by a qualified business in the international trade zone if those purchases are made during the duration of the zone but before July 1, 2007. The qualified business or the contractor is then authorized to file a claim for refund of those taxes under general refund provisions in Minn. Stat. § 297A.75. No refunds are to be paid before July 1, 2007. Effective the day following final enactment.

Section 19 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 20 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 21 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 22 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 23 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 24 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 25 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 26 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 27 through 29 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 30 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 31 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 32 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 33 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 7
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 8

**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 9 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 provides that the Metropolitan Council bonding provision applies in the seven-county metropolitan area.

ARTICLE 10 LOCAL DEVELOPMENT

Section 1 Deed Tax Rate. Increases the rate of the deed tax from .0033 of the net consideration for the property transferred to .005. *REMOVED VIA AMEND*

Section 2 Deed Tax Apportionment. Provides that the allocation of deed tax receipts between the state and counties will not be changed due to the rate increase under section 1.

Sections 3 and 4 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 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 Deed Tax Appropriation; Rental Assistance. Provides that an amount equal to the proceeds of the deed tax at a rate of .000709 of the net consideration is transferred to the housing development fund and credited to the housing trust fund account to be used for rental assistance. This appropriation must not supplant current funding levels for housing.

Section 8 Deed Tax Appropriation; Economic Development and Housing Challenge. Provides that an amount equal to the proceeds of the deed tax at a rate of .000566 of the net consideration is transferred to the housing development fund to be used for the economic development and housing challenge program. This appropriation also is prohibited from supplanting current funding levels for housing.

Section 9 Housing Account for Leverage Opportunity. Creates a housing account for leverage opportunity. The funds must provide matching grants to eligible recipients for preservation, renovation, or development of affordable home ownership or rental housing. Not less than 40 percent of the funds in the account must be available for applicants outside of the seven-county metropolitan area, and outside of community development entitlement areas. Matching grants may be made to counties, cities, housing and redevelopment authorities, public housing agencies, economic development authorities, community development agencies, or federally recognized American Indian tribes. Grants from the fund are required to be matched on a dollar-for-dollar basis by funds, donations, and the value of fee reductions granted by an eligible recipient for a housing project for the value of land provided by eligible recipients. Grants may be in amounts between \$50,000 and \$1,000,000. The households that are served through the grants must not have incomes at the time of the initial occupancy of the units that exceed 115 percent of the greater of the state or area median income, and for rental housing projects, 60 percent of the greater of the state or area median income.

Section 10 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 11 to 13 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.

Section 14 JOBZ Duration. Provides that in the case of

Sections 15 and 16 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 17 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 18 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 17 will be deposited in the Environmental Response Fund.

Section 19 Bloomington TIF District Extension. Extends the duration of the Bloomington tax district to December 31, 2038.

Section 20 Brooklyn Park TIF District Extension. Extends the duration of the Brooklyn Park economic development district to December 31, 2020.

Section 21 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 22 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 23 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 24 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 25 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 26 New Brighton TIF. Allows the city to expend tax increments from TIF District 26 outside the district for designated purposes.

Section 27 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 28 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 29 Housing Account Appropriation. Appropriates an amount equal to the proceeds of the deed tax on .000425 of the net consideration to the housing account for leverage opportunities.

Section 30 Repealer. Repeals the exemption from § 273.1399 for the Brooklyn Park economic development tax increment financing district.

Section 31 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 11 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 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 3 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 5.

Section 4 Market Value Credit Reimbursement. Restores the market value credit reimbursement to cities for taxes payable in 2006.

Section 5 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 6 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 7 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.

ARTICLE 12 MINERALS

Section 1 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 21st Century Fund.

Section 2 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 mine land areas, reforestation, reclamation, or development projects. The IRRRB is required to approve the project, 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 3 provides for distribution of the proceeds of the taconite production tax for production years 2006 and later, to the extent the increases are attributable to the escalator. These proceeds would be distributed as follows:

- .10 cent per taxable ton to the Range Association of Municipalities and Schools;
- 2 cents per ton to the city or town in which the taconite was mined or quarried, or within which the concentrate was produced. If the activities were occurred in more than one taxing district, the commissioner is directed to apportion the proceeds equitably among the cities and towns; and
- the remainder of the revenue is deposited in the Taconite Environmental Protection Fund to be used for the projects described in section 2.

Section 4 modifies a provision directing the distribution of taconite production tax proceeds to a grant and loan fund under the jurisdiction of the IRRRB. For distributions received in 2008 and later years, the first \$2,000,000 must be paid to St. Louis County for its road and bridge fund to be used for the relocation of a specified road, and the remainder is allocated for projects described in section 2.

Section 5 provides that for distributions in 2007 only, a special fund is established to receive the 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 6 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.

ARTICLE 13 MISCELLANEOUS

Sections 1 through 5 Racetrack Simulcasting. Authorizes a class A licensed racetrack in the seven-county metropolitan area to conduct simulcasting on all breeds of horses including breeds of horses that do not race live at that particular racetrack. If the racetrack conducts simulcasting of breeds that do not race live at that racetrack, the racetrack would need to enter into an agreement with another class A licensed racetrack within the area where live racing of the breed of horse involved does occur. The racetrack would have to contribute to the purse set-aside account of the other racetrack, and to the breeders fund, an amount equal to the amount that would have been contributed if the simulcast had been conducted at the other racetrack. Instead of requiring the class A licensee to conduct at least fifty days of live racing before the racing commission can authorize the licensee to operate a card club, the racing commission may authorize the north metro licensee to operate a card club as soon as the licensee has been assigned at least fifty days of live racing by the commission. *REMOVED VIA AMEX ID*

Section 6 Definition of Electronic Means. Adds telephonic communication to the definition of electronic means, if allowed by the commissioner of revenue.

Section 7 Electronic Processing of Returns. Requires the Department of Revenue to participate with the federal government's electronic processing of returns program.

Sections 8, 10, 11, 14, 18, 19, 20, 21, and 22. 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 9 Electronic Filing of W-2s. Requires those employers who must electronically remit deposits for wages to also electronically file W-2s.

Section 12 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 13 Gasoline Tax. Increases the percentage of the amount of gasoline and gasoline tax that is attributable to all-terrain vehicle use from the current rate of .15 to .27. *REMOVED VIA AMEND*

Sections 15 through 17 and 27 Fire Safety Surcharge. Repeals the fire insurance tax in § 297I.05 and changes the tax on insurers to a surcharge on policyholders of policies that cover fire. Insurers would collect the surcharge when collecting the premium. The current fire insurance tax rate is one-half of one percent of those premiums. The premium base is commercial fire insurance and the portion of homeowner's insurance premiums attributable to fire coverage. The taxes collected are now deposited in the general fund. Changing the tax on insurers to a surcharge on policyholders eliminates the retaliatory insurance premium tax imposed by other states on Minnesota insurance companies, due to our current fire tax. The surcharge would equal 0.75 percent of gross premiums and assessments, less return premiums, on direct business received by a company for homeowner's and commercial fire insurance policies in this state. The bill establishes a fire safety account in the state treasury, to receive the surcharge payments and distribute them for fire safety activities. A fire service advisory committee is established to provide funding recommendations to the Commissioner of Public Safety. *REMOVED VIA AMEND*

Section 23 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.

Section 24 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 25 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 26 Transfer from the Tax Relief Account. Transfers any money in the tax relief account to the general fund.

MINNESOTA - REVENUE

INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Historic Rehabilitation Credit

May 9, 2006

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of S.F. 3131 (Pogemiller) 3rd Engrossment, Art. 1, Sec. 9, **Analysis Revised to Correct Fiscal Year Allocation**

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
			(000's)	
Corporate Franchise Tax	\$0	(\$4,000)	(\$4,300)	(\$4,800)
Individual Income Tax				
Income Producing	\$0	(1,200)	(1,200)	(1,500)
Homestead	\$0	(1,100)	(1,100)	(1,400)
General Fund Total	\$0	(\$6,300)	(\$6,600)	(\$7,700)

Effective for tax years beginning after December 31, 2005.

EXPLANATION OF THE BILL

Proposed Law: Both individual income and corporate franchise taxpayers would receive a non-refundable tax credit equal to 25% of the total cost to rehabilitate a historic structure. The credit may also be sold to another taxpayer. To qualify for the credit, the rehabilitation costs must exceed 50% of the property's basis before rehabilitation. If the credit exceeds a taxpayer's liability, it may be carried back three years and carried forward ten years. Also, 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.

In a process similar to the process used by taxpayers now receiving the federal tax credit, the State Historic Preservation Office of the Minnesota Historical Society will approve historic rehabilitation work eligible for the tax credit and issue certificates to taxpayers so that they can claim their tax credits.

The proposed credit is similar to the 20% federal tax credit for historic structure rehabilitation. Federal law permits the tax credit to be taken on income producing property. In addition to income producing property, the bill extends the credit to qualified homestead property in historic districts.

REVENUE ANALYSIS DETAIL

Income Producing Property:

- The estimate uses Department of Treasury tax expenditure estimates labeled tax incentives for preservation of historic structures in the Fiscal Year 2007 budget, Analytical Perspectives, Chapter 5.
- Minnesota's portion of federal estimates is initially based on Minnesota's portion of the total U.S. tax credit for historic rehabilitation expenditures. Minnesota's portion of federal estimates is assumed to increase in future years toward the Minnesota portion of total U.S. income.
- Apportioned federal tax expenditure estimates are increased to reflect the proposed 25% state tax credit versus the 20% federal tax credit.

Homestead Property:

- The estimate uses a Joint Committee on Taxation 1999 estimate of a similar bill introduced during the 106th Congress, H.R. 1172 / S 664. This estimate was based on a maximum tax credit of \$40,000. Since there is no limit on the tax credit in this bill, the federal estimate was increased to reflect the lack of a maximum credit.
- Minnesota's portion of federal estimates is initially based on one quarter of Minnesota's portion of the total U.S. tax credit for historic rehabilitation expenditures. Minnesota's portion of federal estimates is assumed to increase in future years toward the Minnesota portion of total U.S. income in fiscal years beyond FY 2009.
- Since homesteads are not covered by the current federal tax credit, the estimate assumes only small number of projects will qualify for the tax credit during fiscal years 2007 through 2009. However, given the experience of the tax credit in Wisconsin where over 200 projects qualify for this credit, it is assumed there will be a large growth in the usage of the credit.
- Apportioned federal estimates are increased to reflect the proposed 25% state tax credit versus the 20% federal tax credit.

Both Types of Property:

- This bill contains a lender credit provision, where a building owner may transfer the value of the tax credit to a lender, which appears to be unique to Minnesota. It is unknown what effect this provision will have on the revenue loss estimate.
- There is great deal of uncertainty about the cost of the credit because the bill lacks a provision on the maximum dollar value of the credit. In Minnesota there are 6,000 properties in the national register of historic places. A large percentage of these properties could qualify for the credit.

Number of Taxpayers: At least 50 taxpayers per year

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

Consolidated Fiscal Note – 2005-06 Session**Bill #:** H3843-1A **Complete Date:** 05/11/06**Chief Author:** KOENEN, LYLE**Title:** BEGINNING FARMER PROGRAM TAX CREDITS

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue	X	

Agencies: Agriculture Dept (05/11/06)

Revenue Dept (05/11/06)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Net Expenditures					
General Fund		0	70	111	93
Agriculture Dept			70	70	70
Revenue Dept		0	0	41	23
Revenues					
General Fund		0	0	(325)	(358)
Revenue Dept		0	0	(325)	(358)
Net Cost <Savings>					
General Fund		0	70	436	451
Agriculture Dept			70	70	70
Revenue Dept		0	0	366	381
Total Cost <Savings> to the State		0	70	436	451

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund			1.00	1.00	1.00
Agriculture Dept			1.00	1.00	1.00
Total FTE			1.00	1.00	1.00

Consolidated EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KEITH BOGUT

Date: 05/11/06 Phone: 296-7642

Fiscal Note – 2005-06 Session**Bill #:** H3843-1A **Complete Date:** 05/11/06**Chief Author:** KOENEN, LYLE**Title:** BEGINNING FARMER PROGRAM TAX CREDITS

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

Agency Name: Agriculture Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund			70	70	70
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund			70	70	70
Revenues					
-- No Impact --					
Net Cost <Savings>					
General Fund			70	70	70
Total Cost <Savings> to the State			70	70	70

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
General Fund			1.00	1.00	1.00
Total FTE			1.00	1.00	1.00

Bill Description

This bill creates a tax credit program for beginning farmers or livestock producers and for agricultural asset owners who sell or rent assets to beginning farmers.

Assumptions

The Minnesota Department of Revenue would administer the tax credits after eligibility is approved and certified by the Rural Finance Authority (RFA). In addition to approval and certification work, the RFA would be responsible for providing necessary and reasonable assistance to beginning farmers and livestock producers and making referrals to agencies and organizations that may provide additional pertinent information and assistance. This work would require the addition of one staff member.

Expenditure and/or Revenue Formula

The addition of one FTE, including salary, fringe and office costs is estimated to be \$70,000.

Agency Contact Name: Jim Boerboom (651-201-6395)
FN Coord Signature: STEVE ERNEST
Date: 05/11/06 Phone: 201-6580

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KEITH BOGUT
Date: 05/11/06 Phone: 296-7642

Fiscal Note – 2005-06 Session**Bill #:** H3843-1A **Complete Date:** 05/11/06**Chief Author:** KOENEN, LYLE**Title:** BEGINNING FARMER PROGRAM TAX CREDITS

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue	X	

Agency Name: Revenue Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
Expenditures					
General Fund		0	0	41	23
Less Agency Can Absorb					
-- No Impact --					
Net Expenditures					
General Fund		0	0	41	23
Revenues					
General Fund		0	0	(325)	(358)
Net Cost <Savings>					
General Fund		0	0	366	381
Total Cost <Savings> to the State		0	0	366	381

	FY05	FY06	FY07	FY08	FY09
Full Time Equivalents					
-- No Impact --					
Total FTE					

Bill Description – The proposed bill creates two new income tax credits. The first is a tax credit for owners of agricultural land located in Minnesota. The assets must be rented to a beginning farmer. Several qualifications are listed for beginning farmers. This credit equals 10% of the gross rental income in each of the first three years of a rental agreement, or 15% of the cash equivalent of the gross rental income in each of the first three years of a share rent agreement. If the amount of the credit exceeds the tax liability, the excess may be carried forward 15 years.

The second credit for beginning farmers is equal to 100% of the cost of participating in a financial management program approved by the Rural Finance Authority, or \$500, whichever is less. If the amount of the credit exceeds the tax liability, the excess may be carried forward 3 years.

The credits may be claimed only after approval and certification by the Rural Finance Authority.

There will be a negative revenue impact to the state's general fund if the proposed bill passes.

There will be a fiscal impact to the Department of Revenue if the proposed bill passes.

Revenue Analysis Assumptions

- The current annual level of 250 beginning Rural Finance Authority (RFA) farmer bond participants is assumed.
- For the renter portion of the owner credit, 50% of the current annual level of 250 beginning farmer bond participants is assumed to be both buyers and renters. A quarter section cash rental gross rent of \$16,000 is assumed to be valid for beginning farmers. Share rent agreements are assumed to be included. This portion of the credit equals 10% of annual gross rental, a total of \$200,000 in the first year.
- The management credit is assumed to be equal to 250 participants by \$500, a total of \$125,000.
- Growth in the cost of the program is estimated at 10% annually, which would include price increases, increased participation, and any carryover of unused credit from a prior year.
- Tax year impact was allocated to the following fiscal year.
- Number of Taxpayers: An estimated 250 farms for tax year 2007.

Fiscal Impact Assumptions

- The Department of Revenue would create a new non-refundable credit schedule to accommodate this new beginning farmer credit. There is currently no more room on the M1 Individual Income Tax form without creating an additional three page M1 return. The department would incur substantial costs if the M1 return was a three page return and it may cause additional confusion to taxpayers.
- The new non-refundable credit schedule would be scanned and the information would be captured and stored. Taxpayers using this schedule would carry over the total amount of non-refundable credits to the M1.
- The department would incur costs for the design of this new credit form and the printing and mailing.
- There will additional computer systems development costs along with storage and on-going maintenance costs.
- The department estimates that there would be minimal processing costs for individual taxpayers who take the credit on the separate form.
- The department expects to receive approximately 250 taxpayers who will take this credit and is effective for taxable years after December 31, 2006.

Revenue Impact Formula

<u>Fund Impact</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
Owner/Renter Credit	\$0	\$0	(\$200)	(\$220)
Management Credit	\$0	\$0	(\$125)	(\$138)
General Fund Total	\$0	\$0	(\$325)	(\$358)

Effective for taxable years beginning after December 31, 2006.

Fiscal Impact Formula

Expenditures/Savings	FY '06	FY '07	FY '08	FY '09	FY '10
1) Forms Design	\$0	\$0	\$3,600	\$0	\$0
2) Forms & Instructions	\$0	\$0	\$1,800	\$1,800	\$1,800
3) Postage & Paper	\$0	\$0	\$19,500	\$19,500	\$19,500
4) News Release	\$0	\$0	\$350	\$0	\$0
5) Systems Development	\$0	\$0	\$11,016	\$0	\$0
6) Systems Development	\$0	\$0	\$4,006	\$0	\$0
7) On-Going Support	\$0	\$0	\$800	\$1,440	\$1,440
Total	\$0	\$0	\$41,072	\$22,740	\$22,740

- 1) Postage & Paper: Forms design 60 hrs @ \$60/hr=\$3,600
- 2) Forms & Instructions: Printing cost 50,000 nonrefundable schedules @ \$20/M=\$1,000
50,000 #10 mail envelopes @ \$16/M=\$800
- 3) Postage & Paper: Postage expense 50,000 1st class postage @ \$.39 each=\$19,500
- 4) 1 statewide news release @ \$350
- 5) Systems Development: ITS & MA for scanning changes, testing formware and export.
- 6) Systems Development: ITS work in EF costs for creating the specs, and testing with software developers.
- 7) Systems Support: Continue system support costs. Disk & Operations

Long-Term Fiscal Considerations

The department would continue to incur costs beyond FY 2010

Local Government Costs

None

References/Sources

FN Coord Signature: JOHN POWERS
Date: 05/11/06 Phone: 556-4054

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: ALEXANDRA BROAT
Date: 05/11/06 Phone: 296-1700

Senate Floor Amendment

ss3131a-8

- 1.1 Senator Pogemiller moved to amend S.F. No. 3131 as follows:
- 1.2 Page 6, line 3, delete everything after "individual" and insert "may take a credit
- 1.3 against the tax due under this chapter equal to \$59 for each month or portion thereof the
- 1.4 individual was in active military service in a designated area after September 11, 2001."
- 1.5 Page 6, delete line 4
- 1.6 Page 6, line 5, delete everything before "An"
- 1.7 Page 21, after line 31, insert:
- 1.8 "Sec. 12. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1,
- 1.9 is amended to read:
- 1.10 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
- 1.11 following exempt items must be imposed and collected as if the sale were taxable and the
- 1.12 rate under section 297A.62, subdivision 1, applied. The exempt items include:
- 1.13 (1) capital equipment exempt under section 297A.68, subdivision 5;
- 1.14 (2) building materials for an agricultural processing facility exempt under section
- 1.15 297A.71, subdivision 13;
- 1.16 (3) building materials for mineral production facilities exempt under section
- 1.17 297A.71, subdivision 14;
- 1.18 (4) building materials for correctional facilities under section 297A.71, subdivision
- 1.19 3;
- 1.20 (5) building materials used in a residence for disabled veterans exempt under section
- 1.21 297A.71, subdivision 11;
- 1.22 (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- 1.23 (7) building materials for the Long Lake Conservation Center exempt under section
- 1.24 297A.71, subdivision 17;
- 1.25 (8) materials, supplies, fixtures, furnishings, and equipment for a county law
- 1.26 enforcement and family service center under section 297A.71, subdivision 26;
- 1.27 (9) materials and supplies for qualified low-income housing under section 297A.71,
- 1.28 subdivision 23; ~~and~~
- 1.29 (10) materials, supplies, and equipment for municipal electric utility facilities under
- 1.30 section 297A.71, subdivision 35; and
- 1.31 (11) products purchased for use as fuel for a commuter rail system exempt under
- 1.32 section 297A.68, subdivision 19, clause (7).
- 1.33 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is
- 1.34 amended to read:
- 2.1 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
- 2.2 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
- 2.3 must be paid to the applicant. Only the following persons may apply for the refund:

- 2.4 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
 2.5 (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
 2.6 subdivision;
 2.7 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
 2.8 provided in United States Code, title 38, chapter 21;
 2.9 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
 2.10 property;
 2.11 (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
 2.12 project; ~~and~~
 2.13 (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or
 2.14 a joint venture of municipal electric utilities; and
 2.15 (7) for subdivision 1, clause (11), the applicant must be the purchaser of the fuel."
 2.16 Page 34, line 35, delete "the following projects:"
 2.17 Page 35, line 1, delete "(1)"
 2.18 Page 35, line 2, delete everything after "\$3,000,000" and insert a period
 2.19 Page 35, delete lines 3 and 4
 2.20 Page 35, lines 6 and 20, delete "projects" and insert "project"
 2.21 Page 37, line 16, delete "\$6,000,000" and insert "\$5,250,000"
 2.22 Page 50, line 16, after "2008" and insert "and later"
 2.23 Page 56, line 19, after "years" insert ", not to exceed the time during which the
 2.24 person owned the property"
 2.25 Page 61, after line 28, insert:
- 2.26 "Sec. 18. Minnesota Statutes 2005 Supplement, section 275.025, subdivision 4,
 2.27 is amended to read:
 2.28 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of the~~
 2.29 ~~state general tax must be levied by applying a uniform rate to all commercial-industrial tax~~
 2.30 ~~capacity and five percent of the state general tax must be levied by applying a uniform~~
 2.31 ~~rate to all seasonal residential recreational tax capacity.~~ On or before October 1 each
 2.32 year, the commissioner of revenue shall certify the preliminary state general levy rates to
 2.33 each county auditor that must be used to prepare the notices of proposed property taxes
 2.34 for taxes payable in the following year. By January 1 of each year, the commissioner
 3.1 shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be
 3.2 used in spreading taxes.
 3.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and
 3.4 thereafter."
 3.5 Page 68, delete section 27 and insert:
- 3.6 "Sec. 28. **MISCELLANEOUS EDUCATION PROPERTY TAX REDUCTION.**
 3.7 Notwithstanding Minnesota Statutes, section 126C.10, subdivision 13a, the
 3.8 commissioner of education shall increase the operating capital equalizing factor under
 3.9 Minnesota Statutes, section 126C.10, subdivision 13a, to reduce the operating capital levy
 3.10 by \$2,593,000 in fiscal year 2008 and \$2,259,000 in fiscal year 2009."
 3.11 Page 90, delete section 18

3.12 Page 120, after line 24, insert:

3.13 "Sec. 21. CITY OF PENNOCK; ACQUIRE REAL ESTATE, EXPEND CITY
3.14 FUNDS, AND CONVEY TO PRIVATE ENTITY.

3.15 Subdivision 1. Authorization. The city of Pennock may purchase a parcel of real
3.16 estate in the city consisting of four city lots and an appurtenant building formerly operated
3.17 as a convenience store known as Phil's Corner on the terms and conditions that may be
3.18 agreed upon between the city and the current owner of the parcel, and the city may expend
3.19 city funds to make necessary improvements to the building. Once acquired and improved
3.20 and in order to ensure the continued economic vitality of the city, the city may convey
3.21 the parcel and building by sale or lease to a private person, firm, partnership, corporation
3.22 or other entity for a nominal consideration or on whatever terms and conditions the
3.23 city and the private entity may agree upon in order for the building to be operated as a
3.24 commercial establishment.

3.25 Subd. 2. Bonds. The city of Pennock may issue general obligation bonds of the
3.26 city in the aggregate principal amount not to exceed \$250,000 to finance the project
3.27 authorized by subdivision 1. The bonds must be issued in compliance with Minnesota
3.28 Statutes, chapter 475, except that a referendum under Minnesota Statutes, section 475.58,
3.29 is not required. The debt represented by the bonds is not included in computing any debt
3.30 limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,
3.31 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy
3.32 limitation otherwise applicable to the city.

4.1 EFFECTIVE DATE. Under Minnesota Statutes 2004, section 645.023, subdivision
4.2 1, paragraph (a), this section is effective without local approval on the day following
4.3 final enactment."

4.4 Page 121, delete section 1

4.5 Page 122, delete section 2

4.6 Page 124, delete sections 7 to 9

4.7 Page 131, line 16, delete "2038" and insert "2033, and tax increment financing
4.8 district No. 1-C, containing the Mall of America development, for a period through
4.9 December 31, 2033"

4.10 Page 133, line 29, delete "act" and insert "section"

4.11 Page 137, delete section 29

4.12 Page 137, line 23, before "Laws" insert "(a)"

4.13 Page 137, after line 23, insert:

4.14 "(b) Laws 1996, chapter 464, article 1, section 8, subdivision 5, is repealed."

4.15 Page 142, after line 13, insert:

4.16 "Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8,
4.17 is amended to read:

4.18 Subd. 8. City formula aid. In calendar year 2004 and subsequent years, the
4.19 formula aid for a city is equal to the need increase percentage multiplied by the difference
4.20 between (1) the city's revenue need multiplied by its population, and (2) the sum of the
4.21 city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections

- 4.22 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant,
 4.23 multiplied by the following percentages:
 4.24 (i) zero percent for aids payable in 2004;
 4.25 (ii) 25 percent for aids payable in 2005;
 4.26 (iii) 50 percent for aids payable in 2006;
 4.27 (iv) 75 percent for aids payable in 2007; and
 4.28 (v) 100 percent for aids payable in 2008 and thereafter.
 4.29 For purposes of this subdivision, "a city directly impacted by a taconite mine or
 4.30 plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)
 4.31 Silver Bay, or (7) Virginia.
 4.32 No city may have a formula aid amount less than zero. The need increase percentage
 4.33 must be the same for all cities.
- 5.1 The applicable need increase percentage ~~must be calculated by the Department of~~
 5.2 ~~Revenue so that the total of the aid under subdivision 9 equals the total amount available~~
 5.3 ~~for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4~~
 5.4 ~~and 5 is 100 percent for aids payable in 2007 and thereafter."~~
 5.5 Page 143, line 24, after "payable" insert "to each city"
 5.6 Page 143, line 25, after "increased" insert "by the difference between the amount
 5.7 that would have been paid to the city under that provision and the amount that would be
 5.8 payable to the city if the aid were determined"
 5.9 Page 144, line 31, delete "tax relief account" and insert "general fund"
 5.10 Page 154, delete section 6
 5.11 Page 159, line 23, after the period, insert "This exemption applies only if the
 5.12 purchase is made and delivery received after the business signed the business subsidy
 5.13 agreement required under chapter 469."
 5.14 Pages 160 to 162, delete sections 15 to 17
 5.15 Page 163, after line 17, insert:
 5.16 "(c) Before final designation of the zone, the foreign trade zone authority, in
 5.17 consultation with the applicant, must conduct a transportation impact study based on the
 5.18 regional model and utilizing traffic forecasting and assignments. The results must be used
 5.19 to evaluate the effects of the proposed use on the transportation system and identify any
 5.20 needed improvements. If the site is in the metropolitan area the study must also evaluate
 5.21 the effect of the transportation impacts on the Metropolitan Transportation System plan
 5.22 as well as the comprehensive plans of the municipalities that would be affected. The
 5.23 authority shall provide copies of the study to the legislature under section 3.195 and to the
 5.24 chairs of the committees with jurisdiction over transportation and economic development.
 5.25 The applicant must pay the cost of the study."
 5.26 Page 163, line 18, strike "(c)" and insert "(d)"
 5.27 Page 163, line 19, strike "(d)" and insert "(e)"
 5.28 Renumber the sections in sequence and correct the internal references
 5.29 Amend the title accordingly
 5.30 The motion prevailed. #did not prevail. So the amendment was #not adopted.

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
1	ONE-TIME GENERAL FUND FUNDING										
2											
3	3550	Pogemiller	Passed	GF	Standard Deduction Married - Retroactive to Tax Year 2005	0	(33,200)	(33,200)	0	0	0
4	3550	Pogemiller	Passed	GF	Administrative Cost		(710)	(710)	0	0	0
5	3550	Pogemiller	Passed	GF	Federal Conformity - Energy, Gulf Opportunity Zone, Katrina	(5,190)	0	(5,190)	0	0	0
6		Pogemiller		GF	Aid to Counties - Targeted Case Management Aid	0	(60,000)	(60,000)	0	0	0
7		Pogemiller		GF	Local Government Aid One-Time Adjustments	(26,033)	(52,067)	(78,100)	0	0	0
8	3698	Wiger	C 2006	GF	Reinstate Cuts in Market Value Credit	0	(16,645)	(16,645)	0	0	0
9	DV0017	Skoe	C 2006	GF	Mahnomen County Temporary County and City Aids	0	(600)	(600)	0	0	0
10	3180	Higgins	C 2006		Voting Equipment	0	(2,275)	(2,275)	0	0	0
11		Stumpf	2005	GF	Thief River Falls Retroactive Exemption for Arena Construction	0	(350)	(350)	0	0	0
12											
13					One-Time Spending - Subtotal	(31,223)	(165,847)	(197,070)	0	0	0
14											

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
15											
16	GENERAL FUND REVENUE CHANGES										
17											
18	Individ. Income & Corporate Franchise Tax										
19	2208	Cohen	C 2006	GF	Film Production Tax Credit	0	(3,100)	(3,100)	(3,200)	(3,400)	(6,600)
20		Pogemiller		GF	Active Military Income Credit	0	(8,100)	(8,100)	(2,300)	(2,300)	(4,600)
21	1659	Pogemiller	2005	GF	25% Credit for Historic Structure Rehabilitation - 2005 Revenue Estimate	0	(4,100)	(4,100)	(5,500)	(6,400)	(11,900)
22	2862	Sams	C 2006	GF	Dairy Investment Credit as amended	0	(4,795)	(4,795)	(5,323)	(5,851)	(11,174)
23	3437	Kubly	C 2006	GF	Beginning Farmer Credit amended Management Credit only	0	0	0	(125)	(138)	(263)
24	383	Marty	2005	GF	Prohibit the Deduction of Fines and Penalties	0	75	75	75	75	150
25	DV0029	Skoe	C 2006	GF	Bovine Testing Credit	0	(390)	(390)	(390)	0	(390)
26					Subtotal	0	(20,410)	(20,410)	(16,763)	(18,014)	(34,777)
27											
28	Corporate Franchise Tax										
29	3716	Pogemiller	A 2006	GF	Foreign Operating Income Treatment Modification	0	160,600	160,600	123,200	122,600	245,800
30	2796	Moua	C 2006	GF	Refund for Transit Pass Expenses as amended	0	(400)	(400)	(400)	(400)	(800)
31					Subtotal	0	160,200	160,200	122,800	122,200	245,000
32											
33	Sales and Use Tax										
34	3690	Pogemiller	C 2006	GF	Exemption for Milk Only Sold in Vending Machines	0	(220)	(220)	(245)	(250)	(495)
35	3754	Saxhaug	C 2006	GF	Exemption for Public Safety Radio Communication Products - Itasca County	0	(319)	(319)	(64)	0	(64)
36	3332	Rest	A 2006	GF	International Economic Development Zone - various taxes primarily sales and use. FY06 unspent appro.	0	0	0	1,900	600	2,500
37	DV0018	Betzold	C 2006	GF	Commuter Rail Construction Sales Tax Exemption	0	(900)	(900)	(7,500)	0	(7,500)
38	DV0019	Betzold	C 2006	GF	Fuel Sales Tax Exemption for Commuter Rail	0	0	0	0	(25)	(25)
39	3723	Moua	C 2006	GF	Exemption for Construction of Low Income Housing by Limited Partnerships - Preliminary Estimate	0	(225)	(225)	(245)	(245)	(490)
40	DV0023	Bonoff	A 2006	GF	Lower St. Anthony Hydro Electric Generaton Facility Exempt from Various Taxes	0	(120)	(120)	(120)	0	(120)
41	DV0026	Marty	C 2006	GF	Exemption for Re-Refined Motor Oil and Recycled Copier and Printing Papers	0	(100)	(100)	(115)	(120)	(235)
42	2900	Marty	C 2006	GF	Car Sharing Motor Vehicle Tax Exemption	0	(6)	(6)	(12)	(24)	(36)
43					Subtotal	0	(1,890)	(1,890)	(6,401)	(64)	(6,465)
44											
45	Mining Occupation Tax										
46	3456	Bakk	A 2006	GF	Minnesota Minerals 21st Century Fund Occupation Tax - Transfer from General Fund	0	(550)	(550)	(910)	(910)	(1,820)
47			MMMTCL		Transfer In to Minn. Minerals 21st Century Fund	0	550	550	910	910	1,820

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
48											
49	State Levy										
50		Pogemiller		GF	Freeze CI State Levy Rate at 2004 Levels	0	43,700	43,700	110,900	172,800	283,700
51					Subtotal	0	43,700	43,700	110,900	172,800	283,700
52											
53	GENERAL FUND REVENUE CHANGES SUBTOTAL					0	181,050	181,050	209,626	276,012	485,638
54											
55											
56	GENERAL FUND EXPENDITURE CHANGES										
57											
58	Property Tax										
59	3309	Frederickson	A 2006	GF	Native Prairie Property Tax Exemption	0	0	0	0	(20)	(20)
60	3578	Moua	A 2006	GF	Property tax classification for low income rental property (Class 4d) extension	0	0	0	(33)	(33)	(66)
61	3320	Pogemiller		GF	Metropolitan Council Transit Bonding	0	0	0	0	(50)	(50)
62	2592	Vickerman	A 2006	GF	Ag. Homestead Land Bracket Adjusted for Inflation	0	0	0	(340)	(400)	(740)
63	2896	Dibble	B 2006	GF	Retroactive Rebate for Property Tax Refunds with Tuition Waiver Income	0	(120)	(120)	0	0	0
64	2570	Saxhaug	A 2006	GF	Biomass Electric Generating Facility Eligibility Extension	0	0	0	0	(20)	(20)
65					Subtotal	0	(120)	(120)	(373)	(523)	(896)
66											
67	K-12 Property Tax Relief										
68		Pogemiller / Stumpf	C 2006	GF	K - 12 Operating Capital Equalization	0	0	0	(51,363)	(60,316)	(111,679)
69		Pogemiller / Stumpf	C 2006	GF	K - 12 Debt Service Equalization	0	0	0	(6,736)	(6,172)	(12,908)
70		Pogemiller / Stumpf	C 2006	GF	Property Tax Refund	0	0	0	1,900	1,920	3,820
71		Pogemiller / Stumpf		GF	Misc. Education Property Tax Reduction	0	0	0	(2,593)	(2,259)	(4,852)
72					Subtotal	0	0	0	(58,792)	(66,827)	(125,619)
73											
74	Aids and Credits										
75		Pogemiller	C 2006	GF	Local Government Aid - Full Funding	0	0	0	(58,000)	(60,000)	(118,000)
76	3257	Moua		GF	Agricultural Market Value Credit - Calculation for Fractional Homesteads	0	0	0	15	15	30
77	3257	Moua		GF	Disparity Reduction Aid - Timing of Adjustment for Class Rate Changes	0	0	0	75	75	150
78	3062	Marko	C 2006	GF	Newport aid increase of \$50,000	0	0	0	(50)	(50)	(100)
79	DV0031	Limmer	C 2006	GF	Osseo aid increase of \$89,000	0	0	0	(89)	(89)	(178)
80		Rudd	C 2006	GF	Local Trunk Highway Improvements Pequot Lakes	0	(2,500)	(2,500)	0	0	0

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 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	List	Fund						
81		Koering	C 2006	GF	Local Trunk Highway Improvements Nisswa	0	(2,500)	(2,500)	0	0
82		Pogemiller		GF	County Referendum Cost Reimbursement	0	(122)	(122)	0	0
83					Subtotal	0	(5,122)	(5,122)	(58,049)	(60,049)
84										(118,098)
85	GENERAL FUND EXPENDITURE CHANGES SUBTOTAL					0	(5,242)	(5,242)	(117,214)	(127,399)
86										(244,613)
87	BALANCE GENERAL FUND REVENUE AND EXPENDITURE CHANGES					0	175,808	175,808	92,412	148,613
88										241,025
89	TRANSFERS									
89					Transfer from Tax Relief Account to General Fund	0	316,716	316,716	0	0
90										0
91	OTHER FUNDS									
92										
93	Highway User Tax Distribution Fund									
94	3455	Bakk	C 2006	HUTDF	All Terrain Vehicles Gasoline Fuel Tax Modification	0	(630)	(630)	(640)	(650)
95	3455	Bakk	C 2006	NRF	Natural Resource Fund	0	630	630	640	650
96										(1,290)
97	Health Care Access Fund									1,290
98	DV0033	Betzold	C 2006	MCAF	Increase rate and refund amount for MnCare Research Credit	0	0	0	(2,500)	(2,500)
99										(5,000)
100	Taconite Environmental Protection Fund									
101	DV0039	Tomassoni	C 2006	TEPF	Distribution of Excess Proceeds	0	0	0	0	0
102										0
103										
104	ITEMS WITH NON-MONETARY OR NEGLIGIBLE FINANCIAL IMPACT									
105										
106	3633	Pogemiller			Public Finance Bill	0	0	0	neg.	neg.
107	3131	Pogemiller			Tax Compliance Initiatives	0	0	0	0	0
108	RE2017	DJ Johnson	A 2006		Northeast Metro Card Club / Harness Racing	0	0	0	0	0
109	DV0025	Pogemiller	A 2006		Fiscal Disparities and Uncompensated Care Reimbursement	0	0	0	0	0
110	CS0012	Bakk			Ethanol and JOBZ time extension	0	0	0	0	0
111	AZ61-507	Bakk			Occupation Tax Changes in Calculation	0	0	0	0	0
112										
113	Property Tax									
114	3625	Pogemiller	A 2006	GF	Property tax statements content requirements modified to include targeting refund notice	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 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	List	Fund						
115	3061	Bakk	B 2006	GF	Homestead Classification for Absent Military Personnel	0	0	0	0	0
116	3089	Murphy	A 2006	GF	Modify Property Tax abatement process for electric generating facilities	0	0	0	0	0
117	2507	Murphy	A 2006	GF	Electric and transmission pipeline utilities property tax valuation rules effective date	0	0	0	0 Unk.	
118	3497	Pogemiller	A 2006	GF	Register Relative Homesteads	0	0	0	0	0
119	2570	Saxhaug	A 2006	GF	Property Tax Exemption for Electric Generating Facility	0	0	0	0	0
120										
121	Mortgage Registry / Deed Taxes									
122	2481	Rest	A 2006		Extend sunset on mortgage registry and deed taxes for Hennepin and Ramsy counties to 2013	0	0	0	0	0
123	DV0037	Betzold	B 2006		Authorize Dakota and Anoka counties to impose a mortgage registry and deed tax	0	0	0	0	0
124										
125	Local Sales and Use Taxes									
126	2546	Solon	A 2006		Duluth increase current sales tax rate on food and beverages	0	0	0	0	0
127	DV0034	Bakk	A 2006		Hermantown change termination	0	0	0	0	0
128			2005		Proctor			0		0
129	3733	Kierlin	A 2006		Winona	0	0	0	0	0
130	2590 A1	Vickerman	A 2006		Worthington election extension	0	0	0	0	0
131	2901	Sparks	A 2006		Austin	0	0	0	0	0
132	3218	Koering	B 2006		Baxter	0	0	0	0	0
133	2768	Koering	B 2006		Brainerd for waste water, bridge and trails	0	0	0	0	0
134	3423	Ruud	A 2006		Breezy Point Sales and Vehicle Excise Tax	0	0	0	0	0
135	2482	Lourey	A 2006		Cloquet	0	0	0	0	0
136	3624	Bakk	B 2006		Ely Sales Tax of up to a 1.0%	0	0	0	0	0
137	2590	Vickerman	B 2006		Luverne Sales and Vehicle Excise Tax	0	0	0	0	0
138	3426	Day	A 2006		Medford Sales Tax	0	0	0	0	0
139	3010	Hottinger	B 2006		North Mankato to impose a 0.5% sales and use tax.	0	0	0	0	0
140	2536	Day	A 2006		Owatona	0	0	0	0	0
141			2005		Park Rapids	0	0	0	0	0
142										
143	Tax Increment Financing									
144	3186	Skoe	B 2006		Modifying definition of small cities	0	0	0	0	0
145	DV0038	Marty	A 2006		TIF Provision Limiting Administrative Expenses	0	0	0	0	0
146	2748	Belanger	A 2006		Burnsville TIF	0	0	0	0	0
147	3729	Jungbauer	B 2006		Ramsey TIF	0	0	0	0	0
148			B 2006		Detroit Lakes TIF	0	0	0	0	0
149	3745	Pogemiller	A 2006		Minneapolis TIF	0	0	0	0	0
150	3758	Belanger	B 2006		Bloomington TIF	0	0	0	0	0
151	DV0041	Chaudhary	A 2006		City of New Brighton TIF	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill, with author amendments

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 19, 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	List	Fund						
152					St. Michael TIF	0	0	0	0	0
153										
154										
155	Aggregate Materials Tax									
156	2377	Rudd	A 2006		Sylvan Aggregate Tax	0	0	0	0	0
157										
158	Misc.									
159	3729	Jungbauer	B 2006		Ramsey Port Authority for Issuing Bonds	0	0	0	0	0
160	3646	Kiscaden	A 2006		Extending Rochester School District Property Tax Certification	0	0	0	0	0
161	PUB-2	Dille			Winsted Bonding Authority	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
1	ONE-TIME GENERAL FUND FUNDING										
2											
3	3550	Pogemiller	Passed	GF	Standard Deduction Married - Retroactive to Tax Year 2005	0	(33,200)	(33,200)	0	0	0
4	3550	Pogemiller	Passed	GF	Administrative Cost		(710)	(710)	0	0	0
5	3550	Pogemiller	Passed	GF	Federal Conformity - Energy, Gulf Opportunity Zone, Katrina	(5,190)	0	(5,190)	0	0	0
6		Pogemiller		GF	Aid to Counties - Targeted Case Management Aid	0	(60,000)	(60,000)	0	0	0
7		Pogemiller		GF	Local Government Aid One-Time Adjustments	(26,033)	(52,067)	(78,100)	0	0	0
8	3698	Wiger	C 2006	GF	Reinstate Cuts in Market Value Credit	0	(16,645)	(16,645)	0	0	0
9	DV0017	Skoe	C 2006	GF	Mahnomen County Temporary County and City Aids	0	(600)	(600)	0	0	0
10	3180	Higgins	C 2006		Voting Equipment	0	(2,275)	(2,275)	0	0	0
11		Stumpf	2005	GF	Thief River Falls Retroactive Exemption for Arena Construction	0	(350)	(350)	0	0	0
12											
13	One-Time Spending - Subtotal				(31,223)	(165,847)	(197,070)	0	0	0	
14											

April 20, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

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	List	Fund						
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46										

15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46										

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
47	3456	Bakk	A 2006	GF	Minnesota Minerals 21st Century Fund Occupation Tax - Transfer from General Fund	0	(550)	(550)	(910)	(910)	(1,820)
48			MMTC		Transfer In to Minn. Minerals 21st Century Fund	0	550	550	910	910	1,820
49	GENERAL FUND REVENUE CHANGES SUBTOTAL					0	133,250	133,250	90,126	89,612	179,738
50											
51											
52	GENERAL FUND EXPENDITURE CHANGES										
53											
54	Property Tax										
55	3309	Frederickson	A 2006	GF	Native Prairie Property Tax Exemption	0	0	0	0	(20)	(20)
56	3578	Moua	A 2006	GF	Property tax classification for low income rental property (Class 4d) extension	0	0	0	(33)	(33)	(66)
57	3320	Pogemiller		GF	Metropolitan Council Transit Bonding	0	0	0	0	(50)	(50)
58	2592	Vickerman	A 2006	GF	Ag. Homestead Land Bracket Adjusted for Inflation	0	0	0	(340)	(400)	(740)
59	2896	Dibble	B 2006	GF	Retroactive Rebate for Property Tax Refunds with Tuition Waiver Income	0	(120)	(120)	0	0	0
60	2570	Saxhaug	A 2006	GF	Biomass Electric Generating Facility Eligibility Extension	0	0	0	0	(20)	(20)
61					Subtotal	0	(120)	(120)	(373)	(523)	(896)
62											
63	K-12 Property Tax Relief										
64		Pogemiller / Stumpf	C 2006	GF	K - 12 Operating Capital Equalization	0	0	0	(51,363)	(60,316)	(111,679)
65		Pogemiller / Stumpf	C 2006	GF	K - 12 Debt Service Equalization	0	0	0	(6,736)	(6,172)	(12,908)
66		Pogemiller / Stumpf	C 2006	GF	Property Tax Refund	0	0	0	1,900	1,920	3,820
67		Pogemiller / Stumpf		GF	Misc. Education Property Tax Reduction	0	0	0	(2,593)	(2,259)	(4,852)
68					Subtotal	0	0	0	(58,792)	(66,827)	(125,619)
69											
70	Aids and Credits										
71		Pogemiller	C 2006	GF	Local Government Aid - Full Funding	0	0	0	(58,000)	(60,000)	(118,000)
72	3257	Moua		GF	Agricultural Market Value Credit - Calculation for Fractional Homesteads	0	0	0	15	15	30
73	3257	Moua		GF	Disparity Reduction Aid - Timing of Adjustment for Class Rate Changes	0	0	0	75	75	150
74	3062	Marko	C 2006	GF	Newport aid increase of \$50,000	0	0	0	(50)	(50)	(100)
75	DV0031	Limmer	C 2006	GF	Osseo aid increase of \$89,000	0	0	0	(89)	(89)	(178)
76		Rudd	C 2006	GF	Local Trunk Highway Improvements Pequot Lakes	0	(2,500)	(2,500)	0	0	0
77		Koering	C 2006	GF	Local Trunk Highway Improvements Nisswa	0	(2,500)	(2,500)	0	0	0

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate	
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
78		Pogemiller		GF	County Referendum Cost Reimbursement	0	(122)	(122)	0	0	0
79	A-53	Pogemiller		GF	Downtown Minneapolis Law Enforcement Needs	0	(2,000)	(2,000)	0	0	0
80					Subtotal	0	(7,122)	(7,122)	(58,049)	(60,049)	(118,098)
81											
82	GENERAL FUND EXPENDITURE CHANGES SUBTOTAL					0	(7,242)	(7,242)	(117,214)	(127,399)	(244,613)
83											
84											
85	AVAILABLE GENERAL FUND RESOURCES										
86				GF	50% of Forecast General Fund Balance	0	44,000	44,000	44,000	44,000	88,000
87				GF	Transfer from Tax Relief Account to General Fund	31,223	126,204	157,427	0	0	0
88					Note: \$316,716 is transferred from the TRA to the GF. \$159,289 is reserved for Spending Committees						
89					Subtotal	31,223	170,204	201,427	44,000	44,000	88,000
90											
91	NET GENERAL FUND REVENUE AND EXPENDITURE CHANGES AND AVAILABLE GF RESOURCES					31,223	296,212	327,435	16,912	6,213	23,125
92											
93	SUBTOTAL FOR ONE-TIME SPENDING					(31,223)	(165,847)	(197,070)	0	0	0
94											
95	3550	Pogemiller	Passed	GF	Net Change in SF3550	0	5,660	5,660	3,905	8,790	12,695
96											
97	GRANT TOTAL - GENERAL FUND					0	136,025	136,025	20,817	15,003	35,820
98											
99											
100	OTHER FUNDS										
101											
102	Health Care Access Fund										
103	DV0033	Betzold	C 2006	MCAF	Increase rate and refund amount for MnCare Research Credit	0	0	0	(2,500)	(2,500)	(5,000)
104											
105	Taconite Environmental Protection Fund										
106	DV0039	Tomassoni	C 2006	TEPF	Distribution of Excess Proceeds	0	0	0	0	0	0
107											
108											
109	ITEMS WITH NON-MONETARY OR NEGLIGIBLE FINANCIAL IMPACT										
110											
111	3633	Pogemiller			Public Finance Bill	0	0	0	neg.	neg.	neg.
112	3131	Pogemiller			Tax Compliance Initiatives	0	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 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	List	Fund						
113	DV0025	Pogemiller	A 2006		Fiscal Disparties and Uncompensated Care Reimbursement	0	0	0	0	0
114	CS0012	Bakk			Ethanol and JOBZ time extension	0	0	0	0	0
115	A06-1507 & A-6	Bakk			Occupation Tax Changes	0	0	0	0	0
116	A-5	Dille			Revenue Recapture Changes	0	0	0	0	0
117	A-20	Stumpf			JOBZ Qualified Business in Kittson County	neg?	neg?	neg?	neg?	neg?
118										
119		Property Tax								
120	3625	Pogemiller	A 2006	GF	Property tax statements content requirements modified to include targeting refund notice	0	0	0	0	0
121	3061	Bakk	B 2006	GF	Homestead Classification for Absent Military Personnel	0	0	0	0	0
122	3089	Murphy	A 2006	GF	Modify Property Tax abatement process for electric generating facilities	0	0	0	0	0
123	2507	Murphy	A 2006	GF	Electric and transmission pipeline utilities property tax valuation rules effective date	0	0	0	Unk.	
124	3497	Pogemiller	A 2006	GF	Register Relative Homesteads	0	0	0	0	0
125	2570	Saxhaug	A 2006	GF	Property Tax Exemption for Electric Generating Facility	0	0	0	0	0
126	A-2	Hottinger			Aggregate Resources Preservation Property Tax	0	0	0	0	0
127	A-10	Murphy			EMS Special Taxing District Levy Authority	0	0	0	0	0
128										
129		Mortgage Registry / Deed Taxes								
130	2481	Rest	A 2006		Extend sunset on mortgage registry and deed taxes for Hennepin and Ramsy counties to 2013	0	0	0	0	0
131	DV0037	Betzold	B 2006		Authorize Dakota and Anoka counties to impose a mortgage registry and deed tax	0	0	0	0	0
132	A-3	Tomassoni			Authorize St. Louis County to impose mortgage registry and deed tax	0	0	0	0	0
133										
134		Local Sales and Use Taxes								
135	2546	Solon	A 2006		Duluth increase current sales tax rate on food and beverages	0	0	0	0	0
136	DV0034	Bakk	A 2006		Hermantown change termination	0	0	0	0	0
137			2005		Proctor			0		0
138	3733	Kierlin	A 2006		Winona	0	0	0	0	0
139	2590 A1	Vickerman	A 2006		Worthington election extension	0	0	0	0	0
140	2901	Sparks	A 2006		Austin	0	0	0	0	0
141	3218	Koering	B 2006		Baxter	0	0	0	0	0
142	2768	Koering	B 2006		Brainerd for waste water, bridge and trails	0	0	0	0	0
143	3423	Ruud	A 2006		Breezy Point Sales and Vehicle Excise Tax	0	0	0	0	0
144	2482	Lourey	A 2006		Cloquet	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 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	List	Fund						
145	3624	Bakk	B 2006		Ely Sales Tax of up to a 1.0%	0	0	0	0	0
146	2590	Vickerman	B 2006		Luverne Sales and Vehicle Excise Tax	0	0	0	0	0
147	3426	Day	A 2006		Medford Sales Tax	0	0	0	0	0
148	3010	Hottinger	B 2006		North Mankato to impose a 0.5% sales and use tax.	0	0	0	0	0
149	2536	Day	A 2006		Owatona	0	0	0	0	0
150			2005		Park Rapids	0	0	0	0	0
151										
152	Tax Increment Financing									
153	3186	Skoe	B 2006		Modifying definition of small cities	0	0	0	0	0
154	DV0038	Marty	A 2006		TIF Provision Limiting Administrative Expenses	0	0	0	0	0
155	2748	Belanger	A 2006		Burnsville TIF	0	0	0	0	0
156	3729	Jungbauer	B 2006		Ramsey TIF	0	0	0	0	0

S.F. 3131 Omnibus Taxes Bill -- Updated 4:00 p.m. April 19, 2006

Note: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

April 20, 2006

Dollars in Thousands					Senate	Senate	Senate	Senate	Senate	Senate
Line#	Bill #	Author	List	Fund	FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
157			B 2006		0	0	0	0	0	0
158	3745	Pogemiller	A 2006		0	0	0	0	0	0
159	3758	Belanger	B 2006		0	0	0	0	0	0
160	DV0041	Chaudhary	A 2006		0	0	0	0	0	0
161					0	0	0	0	0	0
162										
163	Aggregate Materials Tax									
164	2377	Rudd	A 2006		0	0	0	0	0	0
165										
166	Misc.									
167	3729	Jungbauer	B 2006		0	0	0	0	0	0
168	3646	Kiscaden	A 2006		0	0	0	0	0	0
169	PUB-2	Dille			0	0	0	0	0	0
170	A-8	Pogemiller			0	0	0	0	0	0
171	A-15	Fischbach			0	0	0	0	0	0

Senator Pogemiller from the Committee on Taxes, to which was referred

S.F. No. 3131: A bill for an act relating to tax compliance; providing for income tax return processing; requiring certain withholding returns be filed by electronic means; providing for a study of certain audit positions within the Department of Revenue; providing for a study of sales and use tax compliance assistance for taxpayers of limited English proficiency; imposing a civil penalty; amending Minnesota Statutes 2004, section 289A.09, by adding a subdivision; Minnesota Statutes 2005 Supplement, sections 270C.01, subdivision 4; 289A.60, subdivision 21; proposing coding for new law in Minnesota Statutes, chapter 270C.

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

Delete everything after the enacting clause and insert:

"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;

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

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

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

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

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

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

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

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

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

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

2.27 Sec. 2. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

2.28 Subd. 28. ~~Credit~~ **Credits and refunds for transit passes.** (a) A taxpayer may
2.29 take a credit against the tax due under this chapter equal to 30 percent of the expense
2.30 ~~incurred~~ by the taxpayer to provide transit passes, for use in Minnesota, to employees of
2.31 the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section
2.32 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes
2.33 from the transit system operator, and resells them to the employees, the credit is based on
2.34 the amount of the difference between the price paid for the passes by the employer and
2.35 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. 3. 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. 4. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 34. Credit for military service. (a) An individual who was in active military service in a designated area after September 11, 2001, may take a credit against the tax due under this chapter equal to ... 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

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

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

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

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

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

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

5.14 Subd. 35. **Beginning farmer management credit.** (a) A taxpayer who is a
5.15 beginning farmer or livestock producer may take a credit against the tax due under
5.16 this chapter for participation in a financial management program according to section
5.17 41B.0391, subdivision 3.

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

5.20 (c) The credit is limited to the liability for tax, as computed under this chapter, for
5.21 the taxable year. If the amount of the credit determined under this subdivision for any
5.22 taxable year exceeds this limitation, the excess is a beginning farmer management credit
5.23 carryover to each of the three succeeding taxable years. The entire amount of the excess
5.24 unused credit for the taxable year is carried first to the earliest of the taxable years to
5.25 which the credit may be carried and then to each successive year to which the credit may
5.26 be carried. The amount of the unused credit which may be added under this paragraph
5.27 must not exceed the taxpayer's liability for tax less the beginning farmer management
5.28 credit for the taxable year.

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

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

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

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

(c) The amount necessary to pay claims for the refund provided in this subdivision 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. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

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

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

(1) freestall barns;

(2) fences;

(3) watering facilities;

(4) feed storage and handling equipment;

(5) milking parlors;

(6) robotic equipment;

(7) scales;

(8) milk storage and cooling facilities;

(9) bulk tanks;

(10) manure pumping and storage facilities;

(11) digesters;

(12) equipment used to produce energy.

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

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

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

(c) The credit is limited to the liability for tax, as computed under this chapter, for qualifying expenditures, other than expenditures for development of pasture, only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income. Qualifying expenditures for development of pasture must not include land acquisition and are limited to soil preparation expenses, seed costs, planting costs, and weed control, which are allowed once for each acre owned or rented by the taxpayer for the use of dairy animals and developed into pasture during the qualifying period. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax less the dairy investment credit for the taxable year.

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

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

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

Sec. 8. [290.0677] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

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

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

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

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

Subd. 2. Credit allowed. A taxpayer who incurs costs for the rehabilitation of eligible property may take a credit against the tax imposed under this chapter in an amount equal to 25 percent of the total costs of rehabilitation. Costs of rehabilitation include, but are not limited to, qualified rehabilitation expenditures as defined under section

8.1 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must
8.2 exceed 50 percent of the total basis in the property at the time the rehabilitation activity
8.3 begins and the rehabilitation must meet standards consistent with the standards of the
8.4 Secretary of the Interior for rehabilitation as determined by the State Historic Preservation
8.5 Office of the Minnesota Historical Society.

8.6 Subd. 3. Carryback and carryforward. If the amount of the credit under
8.7 subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is
8.8 incurred, the amount that exceeds the tax liability may be carried back to any of the three
8.9 preceding taxable years or carried forward to each of the ten taxable years succeeding the
8.10 taxable year in which the expense was incurred. The entire amount of the credit must
8.11 be carried to the earliest taxable year to which the amount may be carried. The unused
8.12 portion of the credit must be carried to the following taxable year.

8.13 Subd. 4. Partnerships; multiple owners; transfers. (a) Credits granted to a
8.14 partnership, a limited liability company taxed as a partnership, or multiple owners of
8.15 property shall be passed through to the partners, members, or owners, respectively, pro
8.16 rata or pursuant to an executed agreement among the partners, members, or owners
8.17 documenting an alternate distribution method.

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

8.25 Subd. 5. Process. To claim the credit, the taxpayer must apply to the State Historic
8.26 Preservation Office of the Minnesota Historical Society before a historic rehabilitation
8.27 project begins. The State Historic Preservation Office shall determine the amount of
8.28 eligible rehabilitation costs and whether the rehabilitation meets the standards of the
8.29 United States Department of the Interior. The State Historic Preservation Office shall issue
8.30 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach
8.31 the certificate to any income tax return on which the credit is claimed. The State Historic
8.32 Preservation Office of the Minnesota Historical Society may collect fees for applications
8.33 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed
8.34 the costs of administering the tax credit program.

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

9.4 (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a
9.5 certificate that is issued to the taxpayer according to procedures prescribed by the State
9.6 Historic Preservation Office with respect to the certified rehabilitation and which meets
9.7 the requirements of this paragraph. The face amount of the certificate must be equal to
9.8 the credit that would be allowable under subdivision 2 to the taxpayer with respect to
9.9 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending
9.10 institution, including a nondepository home mortgage lending institution, in connection
9.11 with a loan:

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

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

9.20 (1) the principal amount of the loan;
9.21 (2) the rate of interest on the loan; or
9.22 (3) the taxpayer's cost of purchasing the building, but only in the case of a qualified
9.23 historic home that is located in a poverty-impacted area as designated by the State Historic
9.24 Preservation Office. The lending institution may take as a credit against the tax due under
9.25 this chapter an amount equal to the amount specified in the certificate. If the amount of
9.26 the discount retained by the lender exceeds the amount by which the lending institution's
9.27 federal income tax liability is increased due to the use of a mortgage credit certificate, the
9.28 excess shall be refunded to the borrower with interest at the rate prescribed by the State
9.29 Historic Preservation Office. The lending institution may carry forward all unused credits
9.30 under this subdivision until exhausted. Nothing in this subdivision requires a lending
9.31 institution to accept a historic rehabilitation certificate from any person.

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

9.34 Sec. 9. Minnesota Statutes 2004, section 290.10, is amended to read:

9.35 **290.10 NONDEDUCTIBLE ITEMS.**

10.1 **Subdivision 1. Expenses, interest, and taxes.**

10.2 Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the
10.3 net income of a taxpayer no deduction shall in any case be allowed for expenses, interest
10.4 and taxes connected with or allocable against the production or receipt of all income not
10.5 included in the measure of the tax imposed by this chapter, except that for corporations
10.6 engaged in the business of mining or producing iron ore, the mining of which is subject to
10.7 the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the
10.8 deduction of expenses and other items to the extent that the expenses and other items are
10.9 allowable under this chapter and are not deductible, capitalizable, retainable in basis, or
10.10 taken into account by allowance or otherwise in computing the occupation tax and do not
10.11 exceed the amounts taken for federal income tax purposes for that year. Occupation
10.12 taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion
10.13 expenses may not be deducted under this clause.

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

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

10.19 **(2) the government of a foreign country; or**

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

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

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

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

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

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

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

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

11.3 **ARTICLE 2.**

11.4 **SALES AND USE TAX**

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

11.7 Subd. 2. **New permits after revocation.** (a) The commissioner shall not issue a
11.8 new permit after revocation or reinstate a revoked permit unless the taxpayer applies for a
11.9 permit and provides reasonable evidence of intention to comply with the sales and use
11.10 tax laws and rules. The commissioner may require the applicant to provide security, in
11.11 addition to that authorized by section 297A.92, in an amount reasonably necessary to
11.12 ensure compliance with the sales and use tax laws and rules. If the commissioner issues
11.13 or reinstates a permit not in conformance with the requirements of this subdivision or
11.14 applicable rules, the commissioner may cancel the permit upon notice to the permit holder.
11.15 The notice must be served by first class and certified mail at the permit holder's last known
11.16 address. The cancellation shall be effective immediately, subject to the right of the permit
11.17 holder to show that the permit was issued in conformance with the requirements of this
11.18 subdivision and applicable rules. Upon such showing, the permit must be reissued.

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

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

11.25 (1) an individual, if a revoked permit was issued to or in the name of an individual,
11.26 or a corporation or partnership, if a revoked permit was issued to or in the name of a
11.27 corporation or partnership; and

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

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

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

11.36 (b) Sale and purchase include:

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

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

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

12.9 (d) Sale and purchase include the preparing for a consideration of food.
12.10 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
12.11 to, the following:

- 12.12 (1) prepared food sold by the retailer;
12.13 (2) soft drinks;
12.14 (3) candy;
12.15 (4) dietary supplements; and
12.16 (5) all food sold through vending machines, except milk.

12.17 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
12.18 gas, water, or steam for use or consumption within this state.

12.19 (f) A sale and a purchase includes the transfer for a consideration of prewritten
12.20 computer software whether delivered electronically, by load and leave, or otherwise.

12.21 (g) A sale and a purchase includes the furnishing for a consideration of the following
12.22 services:

12.23 (1) the privilege of admission to places of amusement, recreational areas, or athletic
12.24 events, and the making available of amusement devices, tanning facilities, reducing
12.25 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

12.26 (2) lodging and related services by a hotel, rooming house, resort, campground,
12.27 motel, or trailer camp and the granting of any similar license to use real property in a
12.28 specific facility, other than the renting or leasing of it for a continuous period of 30 days
12.29 or more under an enforceable written agreement that may not be terminated without
12.30 prior notice;

12.31 (3) nonresidential parking services, whether on a contractual, hourly, or other
12.32 periodic basis, except for parking at a meter;

12.33 (4) the granting of membership in a club, association, or other organization if:

12.34 (i) the club, association, or other organization makes available for the use of its
12.35 members sports and athletic facilities, without regard to whether a separate charge is
12.36 assessed for use of the facilities; and

13.1 (ii) use of the sports and athletic facility is not made available to the general public
13.2 on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic
13.4 membership dues. Sports and athletic facilities include golf courses; tennis, racquetball,
13.5 handball, and squash courts; basketball and volleyball facilities; running tracks; exercise
13.6 equipment; swimming pools; and other similar athletic or sports facilities;

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

13.10 (6) services as provided in this clause:

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

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

13.18 (iii) building and residential cleaning, maintenance, and disinfecting and
13.19 exterminating services;

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

13.26 (v) pet grooming services;

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

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

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

14.3 In applying the provisions of this chapter, the terms "tangible personal property"
14.4 and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and
14.5 (viii), and the provision of these taxable services, unless specifically provided otherwise.
14.6 Services performed by an employee for an employer are not taxable. Services performed
14.7 by a partnership or association for another partnership or association are not taxable if
14.8 one of the entities owns or controls more than 80 percent of the voting power of the
14.9 equity interest in the other entity. Services performed between members of an affiliated
14.10 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
14.11 group of corporations" includes those entities that would be classified as members of an
14.12 affiliated group under United States Code, title 26, section 1504, and that are eligible to
14.13 file a consolidated tax return for federal income tax purposes.

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

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

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

14.24 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
14.25 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
14.26 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
14.27 65B.29, subdivision 1, clause (1).

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

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

14.32 Subd. 4. **Exemptions.** (a) The tax and the fee imposed by this section do not apply
14.33 to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi
14.34 service; (2) a hearse or limousine used in connection with a burial or funeral service; ~~or~~
14.35 (3) a van designed or adapted primarily for transporting property rather than passengers;
14.36 or (4) a vehicle under a car sharing agreement where the lessee is a dues-paying member

15.1 of a nonprofit car sharing organization that leases vehicles only on an hourly or mileage
15.2 basis. The tax and the fee imposed under this section do not apply when the lease or rental
15.3 of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

15.4 (b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the
15.5 previous calendar year the lessor had no more than 20 vehicles available for lease that
15.6 would have been subject to tax under this section, or no more than \$50,000 in gross
15.7 receipts that would have been subject to tax under this section.

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

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

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

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

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

15.17 Subd. 33. **Recycled copier and printing papers.** Copier paper with a minimum
15.18 postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing
15.19 paper with a minimum of 30 percent postconsumer recycled content by weight is exempt.
15.20 Coated printing paper with a minimum of ten percent of postconsumer recycled content by
15.21 weight is exempt.

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

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

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

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

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

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

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

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

16.4 (6) products purchased by a state or a political subdivision of a state for use in motor
16.5 vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

16.6 (7) products purchased for use as fuel for a commuter rail system operating under
16.7 sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under
16.8 section 297A.62, subdivision 1, applied, and then refunded in the manner provided
16.9 in section 297A.75.

16.10 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
16.11 2006.

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

16.14 **Subd. 42. Commuter rail materials, supplies, and equipment.** Materials,
16.15 supplies, and equipment used or consumed in the construction, equipment, or improvement
16.16 of a commuter rail transportation system operated under sections 174.80 to 174.90 are
16.17 exempt. This exemption includes railroad cars, engines, and related equipment.

16.18 **EFFECTIVE DATE.** This section is effective for purchases made after June 30,
16.19 2006.

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

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

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

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

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

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

16.33 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
16.34 or authorized by and for the use of an organized fire department, fire protection district, or

17.1 fire company regularly charged with the responsibility of providing fire protection to the
17.2 state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma
17.4 protection, if purchased by a law enforcement agency of the state or a political subdivision
17.5 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
17.7 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
17.8 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
17.9 under section 297B.03, clause (12);

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

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

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

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

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

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

17.28 Subd. 8. **Regionwide public safety radio communication system; products and**
17.29 **services.** Products and services including, but not limited to, end user equipment used
17.30 for construction, ownership, operation, maintenance, and enhancement of the backbone
17.31 system of the regionwide public safety radio communication system established under
17.32 sections 403.21 to ~~403.34~~ 403.40, are exempt. For purposes of this subdivision, backbone
17.33 system is defined in section 403.21, subdivision 9. This subdivision is effective for
17.34 purchases, sales, storage, use, or consumption for use in the first and second phases of the
17.35 system, as defined in section 403.21, subdivisions 3, 10, and 11, ~~and~~ that portion of the
17.36 third phase of the system that is located in the southeast district of the State Patrol and

18.1 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system
18.2 that is located in Itasca County.

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

18.4 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)
18.5 Purchases of materials and supplies used or consumed in and equipment incorporated into
18.6 the construction, improvement, or expansion of qualified low-income housing projects are
18.7 exempt from the tax imposed under this chapter if the owner of the qualified low-income
18.8 housing project is:

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

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

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

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

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

18.19 (6) a limited partnership in which either:

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

18.21 (ii) the managing partner is an entity under clause (4) and makes the following
18.22 disclosures in writing to an entity under clause (1) or (2):

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

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

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

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

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

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

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

19.1 (3) a qualified low-income housing project as defined in United States Code, title
19.2 26, section 42(g), meeting all of the requirements for a low-income housing credit under
19.3 section 42 of the Internal Revenue Code regardless of whether the project actually applies
19.4 for or receives a low-income housing credit;

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

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

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

19.12 (1) the total gross square footage of units subject to the income limits under section
19.13 273.126, the financing for the project, the federal low-income housing tax credit, revenue
19.14 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable
19.15 to the project; and

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

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

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

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

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

19.27 (1) **utilize between 12 and 16 turbine generators at a dam site existing on March**
19.28 **31, 1994;**

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

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

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

19.34 Sec. 12. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,
19.35 chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws
19.36 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

20.1
20.2 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,
20.3 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,
20.4 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on
20.5 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,
20.6 Subdivision 3, Clause (c). When the city council determines that the taxes imposed
20.7 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate
20.8 of one-half of one percent have produced revenue sufficient to pay (1) the debt service
20.9 on bonds in a principal amount of \$8,000,000 issued for capital improvements to the
20.10 Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds
20.11 originally issued in the principal amount of \$4,970,000 to finance capital improvements to
20.12 the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half
20.13 percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent.
20.14 When the city council determines that the taxes imposed under this subdivision at a rate
20.15 of three-quarters of one percent have produced revenue sufficient to pay debt service on
20.16 bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued
20.17 for capital improvements for a new arena at the Duluth Entertainment and Convention
20.18 Center, the rate of tax under this subdivision shall be reduced by three-quarters of one
20.19 percent. The imposition of this tax shall not be subject to voter referendum under either
20.20 state law or city charter provisions.

20.21 **EFFECTIVE DATE.** This section is effective the day after the governing body of
20.22 the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section
20.23 645.021, subdivisions 2 and 3.
20.24

20.25 Sec. 13. Laws 1996, chapter 471, article 2, section 29, is amended to read:

20.26 Sec. 29. [CITY OF HERMANTOWN; SALES TAX.]

20.27 **CITY OF HERMANTOWN; SALES AND USE TAX.**

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

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

20.35 (1) extending a sewer interceptor line;

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

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

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

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

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

3 (3) extension of a regional trunk sewer.

21.14 (d) Authorized expenses include, but are not limited to, acquiring property; paying
21.15 construction, administrative, and operating expenses related to the development of the
21.16 projects listed in paragraph (c); paying debt service on bonds or other obligations,
21.17 including lease obligations, issued to finance construction, expansion, or improvement of
21.18 the projects listed in paragraph (c); and other compatible uses, including but not limited to,
21.19 parking, lighting, and landscaping.

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

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

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

21.30 Subd. 3. **Enforcement; collection; and administration of taxes.** A sales tax
21.31 imposed under this section must be reported and paid to the commissioner of revenue
21.32 with the state sales taxes, and be subject to the same penalties, interest, and enforcement
21.33 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
21.35 from the proceeds remitted an amount that equals the indirect statewide cost as well as the

22.1 direct and indirect department costs necessary to administer, audit, and collect the tax.

22.2 The amount deducted shall be deposited in the state general fund.

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

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

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

22.12 Subd. 4. Termination. The portion of the tax authorized under this section to
 22.13 finance the improvements described in subdivision 1, paragraph (b), terminates at the later
 22.14 of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the
 22.15 second month next succeeding a determination by the city council that sufficient funds
 22.16 have been received from the tax to finance the improvements described in subdivision 1,
 22.17 clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium
 22.18 due on any bonds issued for the improvements on March 31, 2026. The portion of the
 22.19 tax authorized to finance the improvements described in subdivision 1, paragraph (c),
 22.20 terminates when the revenues raised are sufficient to finance those improvements, up to an
 22.21 amount equal to \$13,000,000 plus any interest, premium, and other costs associated with
 22.22 the bonds issued under subdivision 3a. The city council may terminate this portion of the
 22.23 tax earlier. Any funds remaining after completion of the improvements and retirement or
 22.24 redemption of the bonds may be placed in the general fund of the city.

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

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

22.31 Sec. 14. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to
 22.32 read:

22.33 Subdivision 1. Sales and use tax. (a) Notwithstanding Minnesota Statutes, section
 22.34 ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city
 22.35 charter, if approved by the city voters at the first municipal general election held after the
 22.36 date of final enactment of this act or at a special election held November 2, 1999, the city

23.1 of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent
23.2 for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota
23.3 Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and
23.4 enforcement of the tax authorized under this subdivision.

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

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

23.12 Sec. 15. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to
23.13 read:

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

23.17 (1) streets; and

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

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

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

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

23.32 Sec. 16. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to
23.33 read:

23.34 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota
23.35 Statutes, chapter 475, to finance the capital expenditure and improvement projects

24.1 described in subdivision 3. An election to approve the bonds under Minnesota Statutes,
24.2 section 475.58, is not required.

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

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

24.8 (d) For projects described in subdivision 3, paragraph (a), the aggregate principal
24.9 amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital
24.10 expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to
24.11 the costs related to issuance of the bonds, including interest on the bonds. For projects
24.12 described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may
24.13 not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds,
24.14 including interest on the bonds.

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

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

24.21 Sec. 17. Laws 2005, First Special Session chapter 3, article 5, section 43, subdivision
24.22 3, is amended to read:

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

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

25.1 Sec. 18. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision
25.2 1, is amended to read:

25.4 Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes,
25.5 section 477A.016, or any other provision of law, ordinance, or city charter, if approved by
25.6 the voters pursuant to Minnesota Statutes, section 297A.99, ~~at the next a~~ general election
25.7 held before January 1, 2008, the city of Worthington may impose by ordinance a sales
25.8 and use tax of up to one-half of one percent for the purpose specified in subdivision 3.
25.9 Except as otherwise provided in this section, the provisions of Minnesota Statutes, section
25.10 297A.99, govern the imposition, administration, collection, and enforcement of the tax
authorized under this subdivision.

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

25.12 Sec. 19. **CITY OF AUSTIN; TAXES AUTHORIZED.**

25.13 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
25.14 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
25.15 voters pursuant to Minnesota Statutes, section 297A.99, at the next general election or
25.16 special election held for that purpose before January 1, 2007, the city of Austin may
25.17 impose by ordinance a sales and use tax of up to one-half of one percent for the purpose
25.18 specified in subdivision 2. Except as otherwise provided in this section, the provisions of
25.19 Minnesota Statutes, section 297A.99, govern the imposition, administration, collection,
25.20 and enforcement of the tax authorized under this subdivision.

25.21 **Subd. 2. Use of revenues.** Revenues received from taxes authorized by subdivision
25.22 1 must be used by the city of Austin to pay all or part of the capital or administrative costs
25.23 of flood mitigation projects in the city of Austin. Authorized expenses include, but are not
25.24 limited to, acquiring property and paying construction and engineering expenses related
25.25 to the flood mitigation projects.

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

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

25.35 (1) 20 years after the date of initial imposition of the tax; or

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

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

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

26.12 **Sec. 20. CITY OF BAXTER; TAXES AUTHORIZED.**

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

26.20 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
26.21 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
26.22 Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax
26.23 of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any
26.24 person engaged within the city of Baxter in the business of selling motor vehicles at retail.

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

26.32 Subd. 4. Bonds. The city of Baxter, pursuant to the approval of the voters at the
26.33 November 2, 2004, referendum authorizing the imposition of the taxes in this section, may
26.34 issue general obligation bonds of the city, in one or more series, in the aggregate principal
26.35 amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt

27.1 represented by the bonds is not included in computing any debt limitations applicable to
27.2 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the
27.3 principal of and interest on the bonds is not subject to any levy limitation or included in
27.4 computing or applying any levy limitation applicable to the city of Baxter.

27.5 Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2
27.6 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter
27.7 City Council first determines that the amount of revenues raised from the taxes to pay for
27.8 the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the
27.9 projects under subdivision 3. Any funds remaining after the expiration of the taxes and
27.10 retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The
27.11 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of
27.12 Baxter so determines by ordinance.

27.13 EFFECTIVE DATE. This section is effective the day after compliance by
27.14 the governing body of the city of Baxter with Minnesota Statutes, section 645.021,
27.15 subdivision 3.

27.16 **Sec. 21. CITY OF BRAINERD; TAXES AUTHORIZED.**

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

27.24 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
27.25 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd
27.26 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up
27.27 to \$20 per motor vehicle, as defined by ordinance, purchased, or acquired from any person
27.28 engaged within the city of Brainerd in the business of selling motor vehicles at retail.

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

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

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

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

28.20 **Sec. 22. CITY OF BREEZY POINT; TAXES AUTHORIZED.**

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

28.28 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
28.29 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of
28.30 Breezy Point may impose by ordinance, for the purposes specified in subdivision 3, an
28.31 excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired
28.32 from any person engaged within the city of Breezy Point in the business of selling motor
28.33 vehicles at retail.

28.34 Subd. 3. Use of revenues. Revenues received from the taxes authorized by
28.35 subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax

29.1 and to finance sanitary sewer and storm sewer improvements as approved by the voters
29.2 at the referendum authorizing the tax. Authorized costs include, but are not limited to,
29.3 acquiring property and paying construction and engineering costs related to the projects.

29.4 Subd. 4. Bonds. The city of Breezy Point, pursuant to the approval of the voters at
29.5 the referendum authorizing the imposition of the taxes in this section, may issue general
29.6 obligation bonds of the city, in one or more series, in the aggregate principal amount not to
29.7 exceed \$11,000,000 to finance the projects listed in subdivision 3. The debt represented
29.8 by the bonds is not included in computing any debt limitations applicable to the city, and
29.9 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of
29.10 and interest on the bonds is not subject to any levy limitation or included in computing or
29.11 applying any levy limitation applicable to the city.

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

29.20 EFFECTIVE DATE. This section is effective the day after compliance by the
29.21 governing body of the city of Breezy Point with Minnesota Statutes, section 645.021,
29.22 subdivision 3.

29.23 Sec. 23. CITY OF CLOQUET; TAXES AUTHORIZED.

29.24 Subdivision 1. Sales and use tax. Notwithstanding Minnesota Statutes, section
29.25 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
29.26 voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for
29.27 this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to
29.28 one-half of one percent for the purpose specified in subdivision 3. Except as provided in
29.29 this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition,
29.30 administration, collection, and enforcement of the tax authorized under this subdivision.

29.31 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
29.32 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet
3 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up
29.34 to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person
29.35 engaged within the city in the business of selling motor vehicles at retail.

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

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

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

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

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

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

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any 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.

Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 18 years, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 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. 24. 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

31.1 voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by
31.2 ordinance a sales and use tax of up to one percent for the purposes specified in subdivision
31.3 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes,
31.4 section 297A.99, govern the imposition, administration, collection, and enforcement of
31.5 the tax authorized under this subdivision.

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

- 31.8 (1) land acquisition and site development;
31.9 (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
31.10 (3) development or redevelopment activities in the central business district of Ely;
31.11 (4) business park development;
31.12 (5) development of a small business incubator;
31.13 (6) development of a technology center; and
31.14 (7) improvements to the Ely Community Center and City Hall needed to bring them
31.15 into compliance with the Americans with Disabilities Act.

31.16 Subd. 3. Bonding authority. The city of Ely may issue bonds in an amount not
31.17 to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital
31.18 expenditures and improvements authorized by the referendum under subdivision 4. An
31.19 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.
31.20 The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section
31.21 275.60 or 275.61. The debt represented by the bonds must not be included in computing
31.22 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
31.23 Statutes, section 475.61, to pay the principal or any interest on the bonds and must not
31.24 be subject to any levy limitation.

31.25 Subd. 4. Termination of tax. The tax authorized under subdivision 1 terminates at
31.26 the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely
31.27 City Council determines that the amount of revenues raised to pay for the projects under
31.28 subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to
31.29 finance the capital and administrative costs of the projects specified in subdivision 2, and
31.30 to repay or retire at maturity the principal, interest, and premium due on any bonds issued
31.31 for the projects under subdivision 3. Any funds remaining after completion of the projects
31.32 specified in subdivision 2, and retirement or redemption of the bonds in subdivision 3,
31.33 may be placed in the general fund of the city. The tax imposed under subdivision 1 may
31.34 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 Ely with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 25. CITY OF LUVERNE; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. 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 Luverne may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

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

Subd. 3. Use of revenues. Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay the cost of collecting and administering the taxes and to pay all or part of the expenses for the following projects:

(1) capital improvements and renovation of the Historic Palace Theatre in an amount not to exceed \$3,000,000; and

(2) capital improvements and renovation of a vacated community hospital for the Minnesota West Community and Technical College, not to exceed \$3,000,000.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to the projects, and paying debt service on bonds or other obligations issued to finance the acquisition and improvements.

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

Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2 expire at the later of 30 years after the imposition of the tax or when the Luverne city

33.1 council determines that sufficient funds have been received from the taxes to prepay
33.2 or retire at maturity the principal, interest, and premium due on any bonds issued for
33.3 the projects under subdivision 4. Any funds remaining after expiration of the taxes and
33.4 retirement of the bonds may be placed in a capital project fund of the city. The taxes
33.5 imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines
33.6 by ordinance.

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

33.10 **Sec. 26. CITY OF MEDFORD; SALES AND USE TAX.**

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

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

33.24 Subd. 3. Bonding authority. (a) If the tax authorized under subdivision 1 is
33.25 approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475,
33.26 to pay the capital and administrative expenses for the improvement projects authorized
33.27 under subdivision 2. The total amount of bonds issued for the projects listed in subdivision
33.28 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds under
33.29 Minnesota Statutes, section 475.58, is not required.

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

33.34 Subd. 4. Termination of taxes. The tax imposed under this section expires at the
33.35 earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford

34.1 City Council determines that the amount of revenues received from the tax equals or
34.2 exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of
34.3 bonds under subdivision 3, including interest on the bonds. Any funds remaining after
34.4 completion of the projects and retirement or redemption of the bonds may be placed in the
34.5 general fund of the city. The tax imposed under subdivision 1 may expire at an earlier
34.6 time if the city so determines by ordinance.

34.7 **EFFECTIVE DATE.** This section is effective the day after compliance by the
34.8 governing body of the city of Medford with Minnesota Statutes, section 645.021,
34.9 subdivision 3.

34.10 **Sec. 27. CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

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

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

34.20 (1) the local share of the marked Trunk Highway 14/County State-Aid Highway
34.21 41 interchange project, including a connection to the North Port Industrial Park and trail
34.22 connections to the scenic byway along the Minnesota River, the Nicollet County Park,
34.23 existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

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

34.26 (3) riverfront redevelopment projects; and

34.27 (4) lake improvement projects.

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

34.30 Subd. 3. **Bonds.** (a) The city of North Mankato, if approved by voters pursuant to
34.31 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter
34.32 475, to pay capital and administrative expenses for the projects described in subdivision 2,
34.33 in an amount that does not exceed \$6,000,000. A separate election to approve the bonds
34.34 under Minnesota Statutes, section 475.58, is not required.

35.1 (b) The debt represented by the bonds is not included in computing any debt
35.2 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
35.3 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

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

35.13 EFFECTIVE DATE. This section is effective the day after compliance by the
35.14 governing body of the city of North Mankato with Minnesota Statutes, section 645.021,
35.15 subdivision 3.

35.16 **Sec. 28. CITY OF OWATONNA; TAXES AUTHORIZED.**

35.17 Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,
35.18 section 477A.016, or any other provision of law, ordinance, or city charter, if approved
35.19 by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Owatonna
35.20 may impose by ordinance a sales and use tax of one-half of one percent for the purposes
35.21 specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern
35.22 the imposition, administration, collection, and enforcement of the taxes authorized under
35.23 this subdivision.

35.24 Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section
35.25 477A.016, or any other provision of law, ordinance, or city charter, the city of Owatonna
35.26 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of
35.27 \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person
35.28 engaged within the city in the business of selling motor vehicles at retail.

35.29 Subd. 3. Use of revenues. Revenues received from the taxes authorized by
35.30 subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation
35.31 projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota
35.32 Department of Transportation, Steele County, and the city of Owatonna; regional parks
35.33 and trail developments, West Hills complex, firehall, and library improvement projects;
35.34 and a public safety radio system; as described in the city resolution No. 4-06, Exhibit
35.35 A, as adopted by the city on January 17, 2006. The amount paid from these revenues

36.1 for transportation projects may not exceed \$4,450,000 plus associated bond costs. The
36.2 amount paid from these revenues for park and trail projects may not exceed \$5,400,000
36.3 plus associated bond costs. The amount paid from these revenues for West Hills complex,
36.4 fire hall, and library improvement projects may not exceed \$2,823,000 plus associated
36.5 bond costs. The amount paid from these revenues for a public safety radio system may not
36.6 exceed \$500,000 plus associated bond costs.

36.7 Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to
36.8 Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter
36.9 475, to pay capital and administrative expenses for the projects described in subdivision 3,
36.10 in an amount that does not exceed \$13,200,000. A separate election to approve the bonds
36.11 under Minnesota Statutes, section 475.58, is not required.

36.12 (b) The debt represented by the bonds is not included in computing any debt
36.13 limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section
36.14 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

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

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

36.27 Sec. 29. **CITY OF PARK RAPIDS.**

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

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

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

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

37.12 (3) park improvements.

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

37.17 Subd. 3. Bonds. Pursuant to the approval of the city voters to impose the tax
37.18 authorized in subdivision 1, the city of Park Rapids may issue without an additional
37.19 election general obligation bonds of the city to pay capital and administrative expenses
37.20 for the acquisition, construction, improvement, and development of the projects specified
37.21 in subdivision 2. The debt represented by the bonds must not be included in computing
37.22 any debt limitations applicable to the city, and the levy of taxes required by Minnesota
37.23 Statutes, section 475.61, to pay the principal or any interest on the bonds must not be
37.24 subject to any levy limitations or be included in computing or applying any levy limitation
37.25 applicable to the city.

37.26 Subd. 4. Termination of tax. The tax imposed under subdivision 1 expires July
37.27 1, 2025. Any funds remaining after completion of the projects specified in subdivision
37.28 2 and retirement or redemption of the bonds may be placed in the general fund of the
37.29 city. The tax imposed under subdivision 1 may expire at an earlier time if the city so
37.30 determines by ordinance.

37.31 EFFECTIVE DATE. This section is effective the day after compliance by the
37.32 governing body of the city of Park Rapids with Minnesota Statutes, section 645.021,
37.33 subdivision 3.

37.34 Sec. 30. THIEF RIVER FALLS COMMUNITY CENTER.

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

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

ARTICLE 3

FOREIGN OPERATING CORPORATIONS

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

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

(1) it is part of a unitary business at least one member of which is taxable in this state;
(2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;

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

~~(4) it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid \$1,000,000 for work, performed directly for the domestic~~

39.1 ~~corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not~~
39.2 ~~require payrolls to be included in the average calculation for purposes of this subdivision,~~
39.3 active foreign business income means gross income that is (i) derived from sources
39.4 without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the
39.5 Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in
39.6 a foreign country.

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

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

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

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

39.18 (2) interest not subject to federal tax upon obligations of: the United States, its
39.19 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
39.20 state, any of its political or governmental subdivisions, any of its municipalities, or any
39.21 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
39.22 tribal governments;

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

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

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

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

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

39.34 (8) the exempt foreign trade income of a foreign sales corporation under sections
39.35 921(a) and 291 of the Internal Revenue Code;

40.1 (9) the amount of percentage depletion deducted under sections 611 through 614 and
40.2 291 of the Internal Revenue Code;

40.3 (10) for certified pollution control facilities placed in service in a taxable year
40.4 beginning before December 31, 1986, and for which amortization deductions were elected
40.5 under section 169 of the Internal Revenue Code of 1954, as amended through December
40.6 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
40.7 income for those facilities;

40.8 (11) the amount of any deemed dividend from a foreign operating corporation
40.9 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
40.10 shall be reduced by the amount of the addition to income required by clauses (19), (20),
40.11 (21), and (22);

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

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

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

40.20 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
40.21 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
40.22 has an activity that in the taxable year generates a deduction for depreciation under
40.23 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
40.24 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
40.25 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
40.26 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
40.27 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
40.28 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
40.29 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

40.30 (16) 80 percent of the amount by which the deduction allowed by section 179 of the
40.31 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
40.32 Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

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

41.9 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
41.10 transactions;

41.11 (iii) royalty, patent, technical, and copyright fees;

41.12 (iv) licensing fees; and

3 (v) other similar expenses and costs..

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

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

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

41.26 (i) income related to the direct or indirect acquisition, use, maintenance or
41.27 management, ownership, sale, exchange, or any other disposition of intangible property;

41.28 (ii) income from factoring transactions or discounting transactions;

41.29 (iii) royalty, patent, technical, and copyright fees;

41.30 (iv) licensing fees; and

41.31 (v) other similar income.

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

41.35 This clause does not apply to any item of interest or intangible income received or
41.36 accrued by a foreign operating corporation with respect to such item of income to the

42.1 extent that the income is income from sources without the United States as defined in
42.2 subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

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

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

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

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

42.26 (4) amounts disallowed for intangible drilling costs due to differences between
42.27 this chapter and the Internal Revenue Code in taxable years beginning before January
42.28 1, 1987, as follows:

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

42.32 (ii) to the extent the disallowed costs are not represented by physical property, an
42.33 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
42.34 290.09, subdivision 8;

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

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

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

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

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

3 (6) an amount for interest and expenses relating to income not taxable for federal
43.14 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
43.15 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
43.16 291 of the Internal Revenue Code in computing federal taxable income;

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

43.25 (8) for certified pollution control facilities placed in service in a taxable year
43.26 beginning before December 31, 1986, and for which amortization deductions were elected
43.27 under section 169 of the Internal Revenue Code of 1954, as amended through December
43.28 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
43.29 1986, section 290.09, subdivision 7;

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

44.1 (10) 80 percent of royalties, fees, or other like income accrued or received from a
44.2 foreign operating corporation or a foreign corporation which is part of the same unitary
44.3 business as the receiving corporation, unless the income resulting from such payments or
44.4 accruals is income from sources within the United States as defined in subtitle A, chapter
44.5 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

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

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

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

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

44.31 (19) in each of the five tax years immediately following the tax year in which an
44.32 addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of
44.33 the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
44.34 amount of the addition made by the taxpayer under subdivision 19c, clause (15). The
44.35 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 4

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, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$25,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment insurance;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;

(17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;

(18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

(19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;

(20) funds from dock and wharf bonds issued by a seaway port authority;

(21) business loans and loan guarantees of \$75,000 or less; ~~and~~

(22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and

(23) property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

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

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

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

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

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

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

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

(2) \$8,000.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2008.

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.

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

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

48.5 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal
48.6 year 2007 and later, a district may levy an amount not more than the product of its
48.7 operating capital revenue for the fiscal year times the lesser of one or the ratio of its
48.8 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital
48.9 equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year
48.10 2006, ~~and \$10,700 for fiscal year 2007, and \$22,222 for fiscal year 2008~~ and later.

48.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
48.12 and later.

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

48.14 Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4,
48.15 that operates a nuclear-powered electric generating plant within this state must construct
48.16 and operate, purchase, or contract to construct and operate (1) by December 31, 1998,
48.17 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop
48.18 biomass scheduled to be operational by December 31, 2001; and (2) by December 31,
48.19 1998, an additional 75 megawatts of installed capacity so generated scheduled to be
48.20 operational by December 31, 2002.

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

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

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

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

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

48.34 (d) Of the 75 megawatts of biomass electric energy installed capacity required under
48.35 paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by

49.1 a St. Paul district heating and cooling system cogeneration facility utilizing waste wood
49.2 as a primary fuel source. The St. Paul district heating and cooling system cogeneration
49.3 facility need not use biomass that complies with the definition in subdivision 1.

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

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

49.9 (2) a proposal for a new facility to satisfy more than ten but not more than 20
49.10 megawatts of the electrical generation requirements by a small business-sponsored
49.11 independent power producer facility to be located within the northern quarter of the state,
49.12 which means the area located north of Constitutional Route No. 8 as described in section
49.13 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped
49.14 wood, or brush to generate electricity. A facility described in this clause is not required
49.15 to utilize biomass complying with the definition in subdivision 1, but must be under
49.16 construction by December 31, 2005.

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

49.24 (g) The commission shall finally approve, modify, or disapprove no later than July
49.25 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the
49.26 mandate set forth in this subdivision.

49.27 (h) If a public utility subject to this section exercises an option to increase the
49.28 generating capacity of a project in a contract approved by the commission prior to April
49.29 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the
49.30 commission by September 1, 2000, that it has exercised the option and include in the
49.31 notice the amount of additional megawatts to be generated under the option exercised.
49.32 Any review by the commission of the project after exercise of such an option shall be
49.33 based on the same criteria used to review the existing contract.

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

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

Sec. 6. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

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

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

Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

Subd. 45. **Biomass electrical generation facility; personal property.**

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. 8. 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. 9. 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 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

52.1 facility. To qualify for an exemption under this subdivision, the owner of the electric
52.2 generation facility must have an agreement with the host county, township or city, and
52.3 school district, for payment in lieu of personal property taxes to the host county, township
52.4 or city, and school district.

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

52.6 Sec. 10. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision
52.7 to read:

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

52.12 (1) utilize between 12 and 16 turbine generators at a dam site existing on March
52.13 31, 1994;

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

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

52.17 Construction of the facility must be commenced after April 30, 2006, and
52.18 before January 1, 2009. Property eligible for this exemption does not include electric
52.19 transmission lines and interconnections or gas pipelines and interconnections appurtenant
52.20 to the property or the facility.

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

52.23 Sec. 11. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision
52.24 to read:

52.25 **Subd. 23. First tier valuation limit; agricultural homestead property.** (a)
52.26 Beginning with assessment year 2006, the commissioner of revenue shall annually certify
52.27 the first tier limit for agricultural homestead property as the product of (i) \$600,000, and
52.28 (ii) the ratio of the statewide average taxable market value of agricultural property per acre
52.29 of deeded farm land in the preceding assessment year to the statewide average taxable
52.30 market value of agricultural property per acre of deeded farm land for assessment year
52.31 1999. The limit shall be rounded to the nearest \$10,000.

52.32 (b) For the purposes of this subdivision, "agricultural property" means all class 2
52.33 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing
52.34 area or public access area of a privately owned public use airport, and (3) property

53.1 consisting of the house, garage and immediately surrounding one acre of land of an
53.2 agricultural homestead.

53.3 (c) The commissioner shall certify the limit by January 2 of each assessment year,
53.4 except that for assessment year 2006 the commissioner shall certify the limit by June
53.5 1, 2006.

53.6 **EFFECTIVE DATE.** This section is effective for assessment year 2006 and
53.7 thereafter.

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

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

53.19 (b) In the case of a person who is absent solely because the person is on active duty
53.20 with the United States armed forces, homestead classification must be granted as provided
53.21 in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even if the
53.22 property has not been occupied as a homestead by the person or a member of the person's
53.23 family. To qualify for this classification, the person who acquires the property must notify
53.24 the assessor of the acquisition and of the person's absence due to military service. When
53.25 the person returns from military service and occupies the property as a homestead, the
53.26 person shall notify the assessor, who will provide for abatement of the difference between
53.27 the nonhomestead and homestead taxes for the current and two preceding years.

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

53.30 Sec. 13. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision
53.31 to read:

53.32 Subd. 22. **Annual registration of certain relative homesteads.** If the owner of
53.33 property or the owner's relative who occupies property that is classified as a homestead
53.34 under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any
53.35 part of that property for a period that exceeds 31 consecutive days during the calendar

54.1 year, the recipient of the compensation must register the property with the city in which
54.2 it is located no later than 60 days after the initial rental period began. This requirement
54.3 applies to property located in a city that has a population over 25,000. Each such city must
54.4 maintain a file of these property registrations that is open to the public, and retain the
54.5 registrations for one year after the date of filing.

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

54.7 Sec. 14. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is
54.8 amended to read:

54.9 Subdivision 1. **Requirement.** Low-income rental property classified as class 4d
54.10 under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least~~
54.11 ~~75 percent of~~ for the units in the rental housing property that meet any of the following
54.12 qualifications:

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

54.15 (2) the units are rent-restricted and income-restricted units of a qualified low-income
54.16 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of
54.17 1986, as amended;

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

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

54.25 The restrictions must require assisted units to be occupied by residents whose
54.26 household income at the time of initial occupancy does not exceed 60 percent of the
54.27 greater of area or state median income, adjusted for family size, as determined by the
54.28 United States Department of Housing and Urban Development. The restriction must also
54.29 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of
54.30 area or state median income, adjusted for family size, as determined by the United States
54.31 Department of Housing and Urban Development.

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

54.34 Sec. 15. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

55.1 Subd. 23. Class 2. (a) Class 2a property is agricultural land including any
55.2 improvements that is homesteaded. The market value of the house and garage and
55.3 immediately surrounding one acre of land has the same class rates as class 1a property
55.4 under subdivision 22. The value of the remaining land including improvements up to ~~and~~
55.5 ~~including \$600,000 market value~~ the first tier valuation limit of agricultural homestead
55.6 property has a net class rate of 0.55 percent of market value. The remaining property
55.7 ~~over \$600,000 market value~~ the first tier has a class rate of one percent of market value.
55.8 For purposes of this subdivision, the "first tier valuation limit of agricultural homestead
55.9 property" and "first tier" means the limit certified under section 273.11, subdivision 23.

55.10 (b) Class 2b property is (1) real estate, rural in character and used exclusively for
55.11 growing trees for timber, lumber, and wood and wood products; (2) real estate that
55.12 is not improved with a structure and is used exclusively for growing trees for timber,
55.13 lumber, and wood and wood products, if the owner has participated or is participating in
55.14 a cost-sharing program for afforestation, reforestation, or timber stand improvement on
55.15 that particular property, administered or coordinated by the commissioner of natural
55.16 resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or
55.17 public access area of a privately owned public use airport. Class 2b property has a net
55.18 class rate of one percent of market value.

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

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

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

56.3 Classification under this subdivision is not determinative for qualifying under
56.4 section 273.111.

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

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

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

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

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

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

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

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

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

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

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

56.29 (1) wholesale and retail sales;

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

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

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

56.34 the assessor shall classify the part of the parcel used for agricultural purposes as
56.35 class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to
56.36 its use. The grading, sorting, and packaging of raw agricultural products for first sale is

57.1 considered an agricultural purpose. A greenhouse or other building where horticultural
57.2 or nursery products are grown that is also used for the conduct of retail sales must be
57.3 classified as agricultural if it is primarily used for the growing of horticultural or nursery
57.4 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
57.5 those products. Use of a greenhouse or building only for the display of already grown
57.6 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

57.18 (i) the land is properly cleared and regularly maintained for the primary purposes of
57.19 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains
57.20 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

57.21 (ii) the land is part of the airport property; and

57.22 (iii) the land is not used for commercial or residential purposes.

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

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

57.31 **Sec. 16. [273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF**
57.32 **ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.**

57.33 Rules adopted by the commissioner of revenue that prescribe the method of valuing
57.34 property of electric and transmission pipeline utilities may not take effect before the end
57.35 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. 17. Minnesota Statutes 2005 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is \$592,000,000 for taxes payable in 2002. For taxes payable in ~~subsequent years, 2006~~ on seasonal residential recreational property, the levy base amount is \$32,935,134, and for subsequent years the levy base amount for seasonal residential recreational property is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. For taxes payable in 2007 and subsequent years on commercial industrial property, the tax is imposed under this subdivision at the rate of the tax imposed under this subdivision for taxes payable in 2004. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and
- (3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

Sec. 18. 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 levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

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

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

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

(4) a total of the following aids:

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

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

(iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the credits under section 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. 19. 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

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

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

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

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

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

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

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

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

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

61.14 ~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of
 61.15 50 percent or more in one year on the estimated market value of the parcel, other than
 61.16 increase attributable to improvement of the parcel; or

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

61.20 Sec. 20. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6,
 61.21 is amended to read:

61.22 Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a
 61.23 period no longer than 15 years, except as provided under paragraph (b). The abatement
 61.24 period will commence in the first year in which the abatement granted is either paid or
 61.25 retained in accordance with section 469.1815, subdivision 2. The subdivision may specify
 61.26 in the abatement resolution a shorter duration. If the resolution does not specify a period
 61.27 of time, the abatement is for eight years. If an abatement has been granted to a parcel of
 61.28 property and the period of the abatement has expired, the political subdivision that granted
 61.29 the abatement may not grant another abatement for eight years after the expiration of the
 61.30 first abatement. This prohibition does not apply to improvements added after and not
 61.31 subject to the first abatement. Economic abatement agreements for real and personal
 61.32 property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this
 61.33 prohibition and may be granted successively.

61.34 4 (b) A political subdivision proposing to abate taxes for a parcel may request, in
 61.35 writing, that the other political subdivisions in which the parcel is located grant an
 61.36 abatement for the property. If one of the other political subdivisions declines, in writing,

62.1 to grant an abatement or if 90 days pass after receipt of the request to grant an abatement
62.2 without a written response from one of the political subdivisions, the duration limit
62.3 for an abatement for the parcel by the requesting political subdivision and any other
62.4 participating political subdivision is increased to 20 years. If the political subdivision
62.5 which declined to grant an abatement later grants an abatement for the parcel, the 20-year
62.6 duration limit is reduced by one year for each year that the declining political subdivision
62.7 grants an abatement for the parcel during the period of the abatement granted by the
62.8 requesting political subdivision. The duration limit may not be reduced below the limit
62.9 under paragraph (a).

62.10 Sec. 21. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to
62.11 read:

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

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

- 62.18 (1) manufacturing;
- 62.19 (2) agricultural processing;
- 62.20 (3) mining;
- 62.21 (4) research and development;
- 62.22 (5) warehousing; or
- 62.23 (6) qualified high technology.

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

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

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

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

62.35 (4) "Research and development" means qualified research as defined in section
62.36 41(d) of the Internal Revenue Code of 1986.

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

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

63.4 (A) computer hardware and software;

63.5 (B) data communications; and

63.6 (C) information technologies;

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

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

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

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

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

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

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

63.29 (d) The authority to grant new abatements under this subdivision expires on July 1,
63.30 2004, except that the authority to grant new abatements for real and personal property
63.31 subject to valuation under Minnesota Rules, chapter 8100, does not expire.

63.32 Sec. 22. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

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

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

64.4 Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

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

64.9 Sec. 24. Minnesota Statutes 2004, section 469.1813, is amended by adding a
64.10 subdivision to read:

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

64.16 Sec. 25. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision
64.17 to read:

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

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

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

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

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

64.31 (b) A county that contains a qualifying hospital is eligible for reimbursement of
64.32 that portion of gross charges for uncompensated care determined by multiplying the
64.33 hospital's gross charges during the base year by the percentage of uncompensated care
64.34 provided by the hospital during the base year minus one-half of one percent of those gross
64.35 charges, dividing the result by two, and adjusting the cost by multiplying that result by the
64.36 hospital's cost-to-charge ratio during the base year. By July 15, 2007, and each subsequent

year, the county shall notify its county auditor, as well as the administrative auditor, of the amount of qualifying uncompensated care provided, adjusted to cost using the hospital's cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

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

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

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

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

Sec. 26. PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL DISTRICT.

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

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

Sec. 27. REPEALER.

Minnesota Statutes 2005 Supplement, section 275.025, subdivision 4, is repealed.

EFFECTIVE DATE. This section is effective for taxes payable in 2007 and thereafter.

ARTICLE 5

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.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of revenue certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

67.1 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
67.2 is devoted to temporary and seasonal residential occupancy for recreational purposes but
67.3 not devoted to commercial purposes for more than 250 days in the year preceding the
67.4 year of assessment, and that includes a portion used as a homestead by the owner, which
67.5 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
67.6 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
67.7 company that owns the resort even if the title to the homestead is held by the corporation,
67.8 partnership, or limited liability company. For purposes of this clause, property is devoted
67.9 to a commercial purpose on a specific day if any portion of the property, excluding the
67.10 portion used exclusively as a homestead, is used for residential occupancy and a fee
67.11 is charged for residential occupancy. The portion of the property used as a homestead
67.12 ~~by the owner has the same class rates as~~ is class 1a property under paragraph (a). The
3 remainder of the property is classified as follows: the first \$500,000 of market value is tier
67.14 I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III.
67.15 The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25
67.16 percent. If a class 1c resort property has any market value in tier III, the entire property
67.17 must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for
67.18 class 1c treatment under this paragraph.

67.19 (d) Class 1d property includes structures that meet all of the following criteria:

67.20 (1) the structure is located on property that is classified as agricultural property under
67.21 section 273.13, subdivision 23;

67.22 (2) the structure is occupied exclusively by seasonal farm workers during the time
67.23 when they work on that farm, and the occupants are not charged rent for the privilege of
67.24 occupying the property, provided that use of the structure for storage of farm equipment
67.25 and produce does not disqualify the property from classification under this paragraph;

67.26 (3) the structure meets all applicable health and safety requirements for the
67.27 appropriate season; and

67.28 (4) the structure is not salable as residential property because it does not comply
67.29 with local ordinances relating to location in relation to streets or roads.

67.30 The market value of class 1d property has the same class rates as class 1a property
67.31 under paragraph (a).

67.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
67.33 thereafter.

67.34 Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is
67.35 amended to read:

68.1 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more
68.2 units and used or held for use by the owner or by the tenants or lessees of the owner
68.3 as a residence for rental periods of 30 days or more, excluding property qualifying for
68.4 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other
68.5 than hospitals exempt under section 272.02, and contiguous property used for hospital
68.6 purposes, without regard to whether the property has been platted or subdivided. The
68.7 market value of class 4a property has a class rate of 1.25 percent.

68.8 (b) Class 4b includes:

68.9 (1) residential real estate containing less than four units that does not qualify as class
68.10 4bb, other than seasonal residential recreational property;

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

68.12 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead
68.13 farm classified under subdivision 23, paragraph (b) containing two or three units; and

68.14 (4) unimproved property that is classified residential as determined under subdivision
68.15 33.

68.16 The market value of class 4b property has a class rate of 1.25 percent.

68.17 (c) Class 4bb includes:

68.18 (1) nonhomestead residential real estate containing one unit, other than seasonal
68.19 residential recreational property; and

68.20 (2) a single family dwelling, garage, and surrounding one acre of property on a
68.21 nonhomestead farm classified under subdivision 23, paragraph (b).

68.22 Class 4bb property has the same class rates as class 1a property under subdivision 22.

68.23 Property that has been classified as seasonal residential recreational property at
68.24 any time during which it has been owned by the current owner or spouse of the current
68.25 owner does not qualify for class 4bb.

68.26 (d) Class 4c property includes:

68.27 (1) except as provided in subdivision 22, paragraph (c), real property devoted to
68.28 temporary and seasonal residential occupancy for recreation purposes, including real
68.29 property devoted to temporary and seasonal residential occupancy for recreation purposes
68.30 and not devoted to commercial purposes for more than 250 days in the year preceding
68.31 the year of assessment. For purposes of this clause, property is devoted to a commercial
68.32 purpose on a specific day if any portion of the property is used for residential occupancy,
68.33 and a fee is charged for residential occupancy. In order for a property to be classified as
68.34 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of
68.35 the annual gross lodging receipts related to the property must be from business conducted
68.36 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging

69.1 guests during the year must be for periods of at least two consecutive nights; or (ii) at least
69.2 20 percent of the annual gross receipts must be from charges for rental of fish houses,
69.3 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for
69.4 marina services, launch services, and guide services, or the sale of bait and fishing tackle.
69.5 For purposes of this determination, a paid booking of five or more nights shall be counted
69.6 as two bookings. Class 4c also includes commercial use real property used exclusively
69.7 for recreational purposes in conjunction with class 4c property devoted to temporary
69.8 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
69.9 provided the property is not devoted to commercial recreational use for more than 250
69.10 days in the year preceding the year of assessment and is located within two miles of the
69.11 class 4c property with which it is used. Owners of real property devoted to temporary and
69.12 seasonal residential occupancy for recreation purposes and all or a portion of which was
3 devoted to commercial purposes for not more than 250 days in the year preceding the year
69.14 of assessment desiring classification as class 1c or 4c, must submit a declaration to the
69.15 assessor designating the cabins or units occupied for 250 days or less in the year preceding
69.16 the year of assessment by January 15 of the assessment year. Those cabins or units and a
69.17 proportionate share of the land on which they are located will be designated class 1c or 4c
69.18 as otherwise provided. The remainder of the cabins or units and a proportionate share of
69.19 the land on which they are located will be designated as class 3a. The owner of property
69.20 desiring designation as class 1c or 4c property must provide guest registers or other
69.21 records demonstrating that the units for which class 1c or 4c designation is sought were
69.22 not occupied for more than 250 days in the year preceding the assessment if so requested.
69.23 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
69.24 nonresidential facility operated on a commercial basis not directly related to temporary and
69.25 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;
69.26 (2) qualified property used as a golf course if:
69.27 (i) it is open to the public on a daily fee basis. It may charge membership fees or
69.28 dues, but a membership fee may not be required in order to use the property for golfing,
69.29 and its green fees for golfing must be comparable to green fees typically charged by
69.30 municipal courses; and
69.31 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).
69.32 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
69.33 with the golf course is classified as class 3a property;
4 (3) real property up to a maximum of one acre of land owned by a nonprofit
69.35 community service oriented organization; provided that the property is not used for a
69.36 revenue-producing activity for more than six days in the calendar year preceding the year

of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(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:

71.1 (i) the land abuts a public airport; and

71.2 (ii) the owner of the aircraft storage hangar provides the assessor with a signed
71.3 agreement restricting the use of the premises, prohibiting commercial use or activity
71.4 performed at the hangar; and

71.5 (9) residential real estate, a portion of which is used by the owner for homestead
71.6 purposes, and that is also a place of lodging, if all of the following criteria are met:

71.7 (i) rooms are provided for rent to transient guests that generally stay for periods
71.8 of 14 or fewer days;

71.9 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated
71.10 in the basic room rate;

71.11 (iii) meals are not provided to the general public except for special events on fewer
71.12 than seven days in the calendar year preceding the year of the assessment; and

71.13 3 (iv) the owner is the operator of the property.

71.14 The market value subject to the 4c classification under this clause is limited to
71.15 five rental units. Any rental units on the property in excess of five, must be valued and
71.16 assessed as class 3a. The portion of the property used for purposes of a homestead by the
71.17 owner must be classified as class 1a property under subdivision 22.

71.18 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
71.19 parcel of seasonal residential recreational property not used for commercial purposes has
71.20 the same class rates as class 4bb property, (ii) manufactured home parks assessed under
71.21 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal
71.22 residential recreational property has a class rate of one percent for the first \$500,000
71.23 of market value, ~~which includes any market value receiving the one percent rate under~~
71.24 ~~subdivision 22~~, and 1.25 percent for the remaining market value, (iv) the market value
71.25 of property described in clause (4) has a class rate of one percent, (v) the market value
71.26 of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that
71.27 portion of the market value of property in clause (9) qualifying for class 4c property
71.28 has a class rate of 1.25 percent.

71.29 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
71.30 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
71.31 of the units in the building qualify as low-income rental housing units as certified under
71.32 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
71.33 of units in the building qualify for class 4d. The remaining portion of the building shall be
71.34 classified by the assessor based upon its use. Class 4d also includes the same proportion of
71.35 land as the qualifying low-income rental housing units are to the total units in the building.

72.1 For all properties qualifying as class 4d, the market value determined by the assessor must
72.2 be based on the normal approach to value using normal unrestricted rents.

72.3 Class 4d property has a class rate of 0.75 percent.

72.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
72.5 subsequent years.

72.6 Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is
72.7 amended to read:

72.8 Subdivision 1. **Residential homestead market value credit.** Each county auditor
72.9 shall determine a homestead credit for each class 1a, 1b, ~~1c,~~ and 2a homestead property
72.10 within the county equal to 0.4 percent of the first \$76,000 of market value of the property
72.11 minus .09 percent of the market value in excess of \$76,000. The credit amount may not
72.12 be less than zero. In the case of an agricultural or resort homestead, only the market
72.13 value of the house, garage, and immediately surrounding one acre of land is eligible
72.14 in determining the property's homestead credit. In the case of a property ~~which~~ that is
72.15 classified as part homestead and part nonhomestead, (i) the credit shall apply only to
72.16 the homestead portion of the property, but (ii) if a portion of a property is classified as
72.17 nonhomestead solely because not all the owners occupy the property, not all the owners
72.18 have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses
72.19 do not of owners occupy the property, the credit amount shall be initially computed as
72.20 if that nonhomestead portion were also in the homestead class and then prorated to the
72.21 owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not~~
72.22 ~~occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse
72.23 does not occupy the property, the percentage of ownership for the owner-occupant spouse
72.24 is one-half of the couple's ownership percentage.

72.25 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and
72.26 thereafter.

72.27 Sec. 4. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

72.28 Subd. 2. **Agricultural homestead market value credit.** Property classified
72.29 as class 2a agricultural homestead is eligible for an agricultural credit. The credit is
72.30 computed using the property's agricultural credit market value, defined for this purpose
72.31 as the property's class 2a market value excluding the market value of the house, garage,
72.32 and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the
72.33 first \$115,000 of the property's agricultural credit market value. ~~The credit under this~~
72.34 ~~subdivision is limited to \$345 for each homestead. The credit is reduced by~~ minus .05
72.35 percent of the property's agricultural credit market value in excess of \$115,000, subject to

73.1 a maximum reduction of \$115. In the case of property that is classified in part as class 2a
73.2 agricultural homestead and in part as class 2b nonhomestead farm land solely because not
73.3 all the owners occupy or farm the property, not all the owners have qualifying relatives
73.4 occupying or farming the property, or solely because not all the spouses of owners occupy
73.5 the property, the credit must be initially computed as if that nonhomestead agricultural
73.6 land was also classified as class 2a agricultural homestead and then prorated to the
73.7 owner-occupant's percentage of ownership.

73.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and
73.9 thereafter.

73.10 Sec. 5. Minnesota Statutes 2004, section 273.1398, subdivision 3, is amended to read:

73.11 Subd. 3. **Disparity reduction aid.** ~~For taxes payable in 2003 and subsequent years,~~

73.12 The amount of disparity aid certified for each taxing district within each unique taxing
73.13 jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the
73.14 jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid
73.15 is being computed, to (2) its tax capacity using the class rates for taxes payable in the year
73.16 prior to that for which aid is being computed, both based upon market values for taxes
73.17 payable in the year prior to that for which aid is being computed. ~~For the purposes of this~~
73.18 ~~aid determination, disparity reduction aid certified for taxes payable in the prior year for~~
73.19 ~~a taxing entity other than a town or school district is deemed to be county government~~
73.20 ~~disparity reduction aid. The amount of disparity aid certified to each taxing jurisdiction~~
73.21 ~~shall be reduced by any reductions required in the current year or permanent reductions~~
73.22 ~~required in previous years under section 477A.0132. If the commissioner determines that~~
73.23 insufficient information is available to reasonably and timely calculate the numerator
73.24 in this ratio for the first taxes payable year that a class rate change or new class rate is
73.25 effective, the commissioner shall omit the effects of that class rate change or new class
73.26 rate when calculating this ratio for aid payable in that taxes payable year. For aid payable
73.27 in the year following a year for which such omission was made, the commissioner shall
73.28 use in the denominator for the class that was changed or created, the tax capacity for taxes
73.29 payable two years prior to that in which the aid is payable, based on market values for
73.30 taxes payable in the year prior to that for which aid is being computed.

73.31 **EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and
73.32 thereafter.

73.33 Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

74.1 Subd. 9. **Certificate.** After the time for redemption of any lands shall have expired
74.2 after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall
74.3 execute a certificate describing the lands, specifying the tax judgment sale at which the
74.4 same were bid in for the state, and stating that the time for redemption thereof has expired
74.5 after notice given as provided by law and that absolute title thereto has vested in the
74.6 state of Minnesota. Such certificate shall be recorded in the office of the county recorder
74.7 ~~and thereafter filed in the office of the county auditor~~, except that in case of registered
74.8 land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a~~
74.9 ~~duplicate filed in the office of the county auditor~~. Such certificate and the record thereof
74.10 shall be prima facie evidence of the facts therein stated, but failure to execute or record or
74.11 file such certificate shall not affect the validity of any proceedings hereunder respecting
74.12 such lands or the title of the state thereto.

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

74.14 Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

74.15 **284.07 COUNTY AUDITOR'S CERTIFICATE TO BE PRIMA FACIE**
74.16 **EVIDENCE.**

74.17 The county auditor's certificate of forfeiture ~~filed~~ recorded by the county auditor
74.18 as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any
74.19 other law hereafter enacted providing for the recording of such a certificate or a certified
74.20 copy of such certificate or of the record thereof, shall, for all purposes, be prima facie
74.21 evidence that all requirements of the law respecting the taxation and forfeiture of the
74.22 lands therein described were complied with, and that at the date of the certificate absolute
74.23 title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as
74.24 set forth in the certificate.

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

74.26 Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

74.27 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue
74.28 shall make all necessary calculations and make payments pursuant to sections 477A.013,
74.29 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition,
74.30 the commissioner shall notify the authorities of their aid amounts, as well as the
74.31 computational factors used in making the calculations for their authority, and those
74.32 statewide total figures that are pertinent, before August 1 of the year preceding the aid
74.33 distribution year.

74.34 (b) For the purposes of this subdivision, aid is determined for a city or town based
74.35 on its city or town status as of June 30 of the year preceding the aid distribution year. If

75.1 the effective date for a municipal incorporation, consolidation, annexation, detachment,
75.2 dissolution, or township organization is on or before June 30 of the year preceding
the aid distribution year, such change in boundaries or form of government shall be
75.4 recognized for aid determinations for the aid distribution year. If the effective date for a
75.5 municipal incorporation, consolidation, annexation, detachment, dissolution, or township
75.6 organization is after June 30 of the year preceding the aid distribution year, such change in
75.7 boundaries or form of government shall not be recognized for aid determinations until
75.8 the following year.

75.9 (c) Changes in boundaries or form of government will only be recognized for the
75.10 purposes of this subdivision, to the extent that: (1) changes in market values are included
75.11 in market values reported by assessors to the commissioner, and changes in population,
75.12 household size, and the road accidents factor are included in their respective certifications
3 to the commissioner as referenced in section 477A.011, or (2) an annexation information
75.14 report as provided in paragraph (d) is received by the commissioner on or before July 15
75.15 of the aid calculation year. Revisions to estimates or data for use in recognizing changes
75.16 in boundaries or form of government are not effective for purposes of this subdivision
75.17 unless received by the commissioner on or before July 15 of the aid calculation year.
75.18 Clerical errors in the certification or use of estimates and data established as of July 15 in
75.19 the aid calculation year are subject to correction within the time periods allowed under
75.20 subdivision 3.

75.21 (d) In the case of an annexation, an annexation information report may be completed
75.22 by the annexing jurisdiction and submitted to the commissioner for purposes of this
75.23 subdivision if the net tax capacity of annexed area for the assessment year preceding the
75.24 effective date of the annexation exceeds five percent of the city's net tax capacity for the
75.25 same year. The form and contents of the annexation information report shall be prescribed
75.26 by the commissioner. The commissioner shall change the net tax capacity, the population,
75.27 the population decline, the commercial industrial percentage, and the transformed
75.28 population for the annexing jurisdiction only if the annexation information report provides
75.29 data the commissioner determines to be reliable for all of these factors used to compute city
75.30 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940
75.31 housing percentage, the road accidents factor, and household size only if the entire area of
75.32 an existing city or town is annexed or consolidated and only if reliable data is available for
75.33 all of these factors used to compute city revenue need for the annexing jurisdiction.

75.34 **EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

75.35 **ARTICLE 6**

DEPARTMENT OF REVENUE**SALES AND USE TAXES**

Section 1. Minnesota Statutes 2005 Supplement, section 297A.61, subdivision 3, is amended to read:

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

(b) Sale and purchase include:

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

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

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

(d) Sale and purchase include the preparing for a consideration of food.

Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

(5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days

77.1 or more under an enforceable written agreement that may not be terminated without
77.2 prior notice;

(3) nonresidential parking services, whether on a contractual, hourly, or other
77.4 periodic basis, except for parking at a meter;

77.5 (4) the granting of membership in a club, association, or other organization if:

77.6 (i) the club, association, or other organization makes available for the use of its
77.7 members sports and athletic facilities, without regard to whether a separate charge is
77.8 assessed for use of the facilities; and

77.9 (ii) use of the sports and athletic facility is not made available to the general public
77.10 on the same basis as it is made available to members.

77.11 Granting of membership means both onetime initiation fees and periodic
77.12 membership dues. Sports and athletic facilities include golf courses; tennis, racquetball,
3 handball, and squash courts; basketball and volleyball facilities; running tracks; exercise
77.14 equipment; swimming pools; and other similar athletic or sports facilities;

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

77.18 (6) services as provided in this clause:

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

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

77.26 (iii) building and residential cleaning, maintenance, and disinfecting and
77.27 exterminating services;

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

77.34 (v) pet grooming services;

77.35 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
77.36 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor

78.1 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
78.2 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
78.3 public utility lines. Services performed under a construction contract for the installation of
78.4 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

78.10 In applying the provisions of this chapter, the terms "tangible personal property"
78.11 and "~~sales at retail sale~~" include taxable services listed in clause (6), items (i) to (vi) and
78.12 (viii), and the provision of these taxable services, unless specifically provided otherwise.
78.13 Services performed by an employee for an employer are not taxable. Services performed
78.14 by a partnership or association for another partnership or association are not taxable if one
78.15 of the entities owns or controls more than 80 percent of the voting power of the equity
78.16 interest in the other entity. Services performed between members of an affiliated group of
78.17 corporations are not taxable. For purposes of the preceding sentence, "affiliated group
78.18 of corporations" ~~includes means~~ those entities that would be classified as members of an
78.19 affiliated group as defined under United States Code, title 26, section 1504, ~~and that are~~
78.20 ~~eligible to file a consolidated tax return for federal income tax purposes~~ disregarding
78.21 the exclusions in section 1504(b).

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

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

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

78.32 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
78.33 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
78.34 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
78.35 65B.29, subdivision 1, clause (1).

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

79.1 Sec. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

79.2 Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery,
79.3 equipment, implements, accessories, and contrivances used directly and principally in
79.4 agricultural production of tangible personal property intended to be sold ultimately at
79.5 retail including, but not limited to:

79.6 (1) machinery for the preparation, seeding, or cultivation of soil for growing
79.7 agricultural crops;

79.8 (2) barn cleaners, milking systems, grain dryers, feeding systems including
79.9 stationary feed bunks, and similar installations, whether or not the equipment is installed
79.10 by the seller and becomes part of the real property; and

79.11 (3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe
79.12 fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation
79.13 system when sold as part of an irrigation system, whether or not the equipment is installed
79.14 by the seller and becomes part of the real property.

79.15 (b) Farm machinery does not include:

79.16 (1) repair or replacement parts;

79.17 (2) tools, shop equipment, grain bins, fencing material, communication equipment,
79.18 and other farm supplies;

79.19 (3) motor vehicles taxed under chapter 297B;

79.20 (4) snowmobiles or snow blowers;

79.21 (5) lawn mowers except those used in the production of sod for sale, or garden-type
79.22 tractors or garden tillers; or

79.23 (6) machinery, equipment, implements, accessories, and contrivances used directly in
79.24 the production of horses not raised for slaughter, fur-bearing animals, or research animals.

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

79.26 Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
79.27 to read:

79.28 Subd. 16a. **Computer.** "Computer" means an electronic device that accepts
79.29 information in digital or similar form and manipulates it for a result based on a sequence
79.30 of instructions.

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

79.32 Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision
79.33 to read:

79.34 Subd. 16b. **Electronic.** "Electronic" means relating to technology having electrical,
79.35 digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

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

Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

Subd. 16c. Computer software. "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. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

Subd. 17. Prewritten computer software. "Prewritten computer software" means computer software, including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more "prewritten computer software" programs or prewritten portions of the programs does not cause the combination to be other than "prewritten computer software." "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. If a person modifies or enhances computer software of which the person is not the author or creator, the person is deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer 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 this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the sales purchase price of retail sales of the tangible personal property or taxable services at the rate of tax imposed under section 297A.62. A person that purchases property from a Minnesota retailer and returns the tangible personal property to a point within Minnesota, except in the course of interstate commerce, after it was delivered outside of Minnesota, is subject to the use tax.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of the tangible personal property or taxable services.

(c) No tax is imposed under paragraph (a) if the purchase meets the requirements for exemption under section 297A.67, subdivision 21.

Subd. 2. **Use of tangible personal property made from materials.** (a) A use tax is imposed on a person who manufactures, fabricates, or assembles tangible personal property from materials, either within or outside this state and who uses, stores, distributes, or consumes the tangible personal property in Minnesota. The tax is imposed on the sales purchase price of retail sales of the materials contained in the tangible personal property at the rate of tax imposed under section 297A.62.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of materials contained in the tangible personal property.

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

Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

Subd. 6. Multiple points of use. (a) Notwithstanding the provisions of subdivisions 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one ~~taxing~~ jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one ~~taxing~~ jurisdiction.

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

Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to read:

Subd. 11. Mobile telecommunications service. "Mobile telecommunications service," for purposes of this section, means the same as that term is defined in Section ~~124(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

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

Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

83.1 Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy,
83.2 and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums,
nursing homes, senior citizen homes, and correctional, detention, and detoxification
83.4 facilities are exempt. Food sold through vending machines is not exempt.

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

83.6 Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

83.7 Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy,
83.8 and soft drinks served at public and private elementary, middle, or secondary schools as
83.9 defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft
83.10 drinks served to students at a college, university, or private career school under a board
83.11 contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not~~
2 ~~include sales from vending machines.~~ Food sold through vending machines is not exempt.

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

83.14 Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is
83.15 amended to read:

83.16 Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks
83.17 purchased for and served exclusively to individuals who are 60 years of age or over and
83.18 their spouses or to handicapped persons and their spouses by governmental agencies,
83.19 nonprofit organizations, or churches, or pursuant to any program funded in whole or in
83.20 part through United States Code, title 42, sections 3001 through 3045, wherever delivered,
83.21 prepared, or served, are exempt. Food sold through vending machines is not exempt.

2 (b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served
83.23 exclusively to children who are less than 14 years of age or disabled children who are less
83.24 than 16 years of age and who are attending a child care or early childhood education
83.25 program, are exempt if they are:

83.26 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
83.27 subdivision 4, and that primarily serves families with income of 250 percent or less of
83.28 federal poverty guidelines; and

83.29 (2) prepared at the site of the child care facility.

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

83.31 Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

83.32 Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers
83.33 and related computer software sold by a school, college, university, or private career
83.34 school to students who are enrolled at the institutions are exempt if:

84.1 (1) the use of the ~~personal~~ computer, or of a substantially similar model of computer,
84.2 and the related computer software is prescribed by the institution in conjunction with a
84.3 course of study; and

84.4 (2) each student of the institution, or of a unit of the institution in which the student
84.5 is enrolled, is required by the institution to have such a ~~personal~~ computer and related
84.6 software as a condition of enrollment.

84.7 For the purposes of this subdivision, "school" and "private career school" have the
84.8 meanings given in subdivision 13.

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

84.10 Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

84.11 Subd. 27. **Sewing materials.** Sewing materials are exempt. For purposes of this
84.12 subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim,
84.13 and other items that are usually directly incorporated into the construction of clothing, as
84.14 defined in subdivision 8, regardless of whether it is actually used for making clothing.
84.15 It does not include batting, foam, or fabric specifically manufactured for arts and craft
84.16 projects, or other materials for craft projects.

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

84.18 Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37,
84.19 is amended to read:

84.20 Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal
84.21 property or taxable services by a qualified business, as defined in section 469.310, are
84.22 exempt if the property or services are primarily used or consumed in a job opportunity
84.23 building zone designated under section 469.314. For purposes of this subdivision, an aerial
84.24 camera package, including any camera, computer, and navigation device contained in the
84.25 package, that is used in an aircraft that is operated under a Federal Aviation Administration
84.26 Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14,
84.27 part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and
84.28 dispatched from a job opportunity building zone, qualifies as primarily used or consumed
84.29 in a job opportunity building zone if the imagery acquired from the aerial camera package
84.30 is returned to the job opportunity building zone for processing. The exemption for an
84.31 aerial camera package is limited to ~~\$50,000 in taxes~~ as provided in this subdivision and
84.32 the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,
84.33 applied and then refunded in the manner provided in section 297A.75. The total amount
84.34 of the aerial camera package exemption refunded for all taxpayers for all fiscal years is
84.35 limited to \$50,000 in taxes.

85.1 (b) Purchase and use of construction materials; and supplies, or equipment used or
85.2 consumed in, and equipment incorporated into, the construction of improvements to
85.3 real property in a job opportunity building zone are exempt if the improvements after
85.4 completion of construction are to be used in the conduct of a qualified business, as defined
85.5 in section 469.310. This exemption applies regardless of whether the purchases are made
85.6 by the business or a contractor.

85.7 (c) The exemptions under this subdivision apply to a local sales and use tax
85.8 regardless of whether the local sales tax is imposed on the sales taxable as defined under
85.9 this chapter.

85.10 (d) This subdivision applies to sales, if the purchase was made and delivery received
85.11 during the duration of the zone.

85.12 (e) Notwithstanding the restriction in paragraph (a), which requires items purchased
85.13 to be primarily used or consumed in the zone, purchases by a qualified business that is
85.14 an electrical cooperative located in Meeker County of equipment and materials used for
85.15 the generation, transmission, and distribution of electrical energy are exempt under this
85.16 subdivision, except that:

85.17 (1) the exemption for materials and equipment used or consumed outside the zone
85.18 must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

85.19 (2) no sales and use tax exemption is allowed for equipment purchased for resale.

85.20 For purposes of this paragraph, the tax must be imposed and collected as if the rate
85.21 under section 297A.62, subdivision 1, applied and then refunded in the manner provided
85.22 in section 297A.75.

85.23 **EFFECTIVE DATE.** Paragraphs (a) and (e) are effective for sales and purchases
85.24 made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made
85.25 on or after January 1, 2004.

85.26 Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38,
85.27 is amended to read:

85.28 Subd. 38. **Biotechnology and health sciences industry zone.** (a) Purchases of
85.29 tangible personal property or taxable services by a qualified business, as defined in section
85.30 469.330, are exempt if the property or services are primarily used or consumed in a
85.31 biotechnology and health sciences industry zone designated under section 469.334.

85.32 (b) Purchase and use of construction materials; and supplies, or equipment used
85.33 or consumed in, and equipment incorporated into, the construction of improvements
85.34 to real property in a biotechnology and health sciences industry zone are exempt if the
85.35 improvements after completion of construction are to be used in the conduct of a qualified

business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid must be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

EFFECTIVE DATE. This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 18. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is amended to read:

Subd. 41. International economic development zones. (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in the international economic development zone designated under section 469.322. This exemption applies only if the purchase is made and delivery received after the business signs the business subsidy agreement required under chapter 469. For such purchases made during the duration of the zone but on or before June 30, 2007, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applies, and then refunded in the manner provided in section 297A.75 beginning July 1, 2007. The taxpayer must attach to the claim for refund sufficient information for the commissioner to be able to determine that the purchases are exempt.

(b) Purchase and use of construction materials, supplies, and equipment incorporated into the construction of improvements to real property in the international economic

87.1 development zone are exempt if the improvements after completion of construction are to
87.2 be used as a regional distribution center as defined in section 469.321 or otherwise used in
the conduct of freight forwarding activities of a qualified business as defined in section
87.4 469.321. For such purchases made on or before June 30, 2007, or for such purchases made
87.5 to improve real property to be occupied by a business that has not signed a business
87.6 subsidy agreement at the time of the purchase, the tax must be imposed and collected as if
87.7 the rate under section 297A.62, subdivision 1, applies, and then refunded in the manner
87.8 provided in section 297A.75 beginning July 1, 2007. The taxpayer must attach to the
87.9 claim for refund sufficient information for the commissioner to be able to determine that
87.10 the improvements are being occupied by a business that has signed a business subsidy
87.11 agreement. This exemption applies regardless of whether the purchases are made by the
87.12 business or a contractor.

3 (c) The exemptions under this subdivision apply to a local sales and use tax,
87.14 regardless of whether the local tax is imposed on sales taxable under this chapter or in
87.15 another law, ordinance, or charter provision.

87.16 ~~(d) The exemption in paragraph (a) applies to sales during the duration of the zone~~
87.17 ~~and after June 30, 2007, if the purchase was made and delivery received after the business~~
87.18 ~~signs the business subsidy agreement required under chapter 469.~~

87.19 ~~(e) For purchases made for improvements to real property to be occupied by a~~
87.20 ~~business that has not signed a business subsidy agreement at the time of the purchase, the~~
87.21 ~~tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,~~
87.22 ~~applied, and then refunded in the manner provided in section 297A.75 beginning in fiscal~~
87.23 ~~year 2008. The taxpayer must attach to the claim for refund information sufficient for~~
87.24 ~~the commissioner to be able to determine that the improvements are being occupied by~~
87.25 ~~a business that has signed a business subsidy agreement.~~

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

87.27 Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

87.28 Subd. 2. Sales to government. (a) All sales, except those listed in paragraph (b),
87.29 to the following governments and political subdivisions, or to the listed agencies or
87.30 instrumentalities of governments and political subdivisions, are exempt:

87.31 (1) the United States and its agencies and instrumentalities;

87.32 (2) school districts, the University of Minnesota, state universities, community
3 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts
87.34 Education, and an instrumentality of a political subdivision that is accredited as an
87.35 optional/special function school by the North Central Association of Colleges and Schools;

88.1 (3) hospitals and nursing homes owned and operated by political subdivisions of
88.2 the state of tangible personal property and taxable services used at or by hospitals and
88.3 nursing homes;

88.4 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip
88.5 operations provided for in section 473.4051;

88.6 (5) other states or political subdivisions of other states, if the sale would be exempt
88.7 from taxation if it occurred in that state; and

88.8 (6) sales to public libraries, public library systems, multicounty, multitype library
88.9 systems as defined in section 134.001, county law libraries under chapter 134A, state
88.10 agency libraries, the state library under section 480.09, and the Legislative Reference
88.11 Library.

88.12 (b) This exemption does not apply to the sales of the following products and services:

88.13 (1) building, construction, or reconstruction materials purchased by a contractor
88.14 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
88.15 guaranteed maximum price covering both labor and materials for use in the construction,
88.16 alteration, or repair of a building or facility;

88.17 (2) construction materials purchased by tax exempt entities or their contractors to
88.18 be used in constructing buildings or facilities which will not be used principally by the
88.19 tax exempt entities;

88.20 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5,
88.21 except for leases entered into by the United States or its agencies or instrumentalities; or

88.22 (4) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~
88.23 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for
88.24 ~~meals and~~ lodging, prepared food, candy, and soft drinks purchased directly by the United
88.25 States or its agencies or instrumentalities.

88.26 (c) As used in this subdivision, "school districts" means public school entities and
88.27 districts of every kind and nature organized under the laws of the state of Minnesota, and
88.28 any instrumentality of a school district, as defined in section 471.59.

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

88.30 Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

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

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

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

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

89.6 (4) telephone services to the Department of Administration that are used to provide
89.7 telecommunications services through the intertechnologies revolving fund;

89.8 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
89.9 or authorized by and for the use of an organized fire department, fire protection district, or
89.10 fire company regularly charged with the responsibility of providing fire protection to the
89.11 state or a political subdivision;

89.12 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
3 protection, if purchased by a law enforcement agency of the state or a political subdivision
89.14 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

89.15 (7) motor vehicles purchased or leased by political subdivisions of the state if the
89.16 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
89.17 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
89.18 under section 297B.03, clause (12);

89.19 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
89.20 treatment facilities of political subdivisions, and materials incidental to installation of
89.21 that equipment; ~~and~~

89.22 (9) sales to a town of gravel and of machinery, equipment, and accessories, except
89.23 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of
89.24 motor vehicles exempt from tax under section 297B.03, clause (10); and

89.25 (10) the removal of trees, bushes, or shrubs for the construction and maintenance
89.26 of roads, trails, or firebreaks when purchased by an agency of the state or a political
89.27 subdivision of the state.

89.28 (b) For purposes of this subdivision, "firefighters personal protective equipment"
89.29 means helmets, including face shields, chin straps, and neck liners; bunker coats and
89.30 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;
89.31 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;
89.32 personal alert safety systems; spanner belts; optical or thermal imaging search devices;
89.33 and all safety equipment required by the Occupational Safety and Health Administration.

89.34 EFFECTIVE DATE. This section is effective for sales and purchases made after
89.35 October 28, 2002, but for sales and purchases made after October 28, 2002, and before

90.1 July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for
90.2 sales taxes collected and remitted to the state.

90.3 Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

90.4 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
90.5 (b), to the following "nonprofit organizations" are exempt:

90.6 (1) a corporation, society, association, foundation, or institution organized and
90.7 operated exclusively for charitable, religious, or educational purposes if the item
90.8 purchased is used in the performance of charitable, religious, or educational functions; and

90.9 (2) any senior citizen group or association of groups that:

90.10 (i) in general limits membership to persons who are either age 55 or older, or
90.11 physically disabled; and

90.12 (ii) is organized and operated exclusively for pleasure, recreation, and other
90.13 nonprofit purposes, no part of the net earnings of which inures to the benefit of any private
90.14 shareholders.

90.15 For purposes of this subdivision, charitable purpose includes the maintenance of a
90.16 cemetery owned by a religious organization.

90.17 (b) This exemption does not apply to the following sales:

90.18 (1) building, construction, or reconstruction materials purchased by a contractor
90.19 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
90.20 guaranteed maximum price covering both labor and materials for use in the construction,
90.21 alteration, or repair of a building or facility;

90.22 (2) construction materials purchased by tax-exempt entities or their contractors to
90.23 be used in constructing buildings or facilities that will not be used principally by the
90.24 tax-exempt entities; and

90.25 (3) ~~meals and~~ lodging as defined under section 297A.61, subdivision 3, ~~paragraphs~~
90.26 ~~(d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks; and

90.27 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as
90.28 provided in paragraph (c).

90.29 (c) This exemption applies to the leasing of a motor vehicle as defined in section
90.30 297B.01, subdivision 5, only if the vehicle is:

90.31 (1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a
90.32 passenger automobile, as defined in section 168.011, if the automobile is designed and
90.33 used for carrying more than nine persons including the driver; and

90.34 (2) intended to be used primarily to transport tangible personal property or
90.35 individuals, other than employees, to whom the organization provides service in
90.36 performing its charitable, religious, or educational purpose.

91.1 (d) A limited liability company also qualifies for exemption under this subdivision if
91.2 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
purchased qualify for the exemption.

91.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

91.5 Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

91.6 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those
91.7 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in
91.8 providing hospital services. For purposes of this subdivision, "hospital" means a hospital
91.9 organized and operated for charitable purposes within the meaning of section 501(c)(3) of
91.10 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,
91.11 and "hospital services" are services authorized or required to be performed by a "hospital"
91.12 under chapter 144.

91.13 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center
91.14 are exempt, if the items purchased are used in providing outpatient surgical services. For
91.15 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical
91.16 center organized and operated for charitable purposes within the meaning of section
91.17 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other
91.18 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:
91.19 (1) services authorized or required to be performed by an outpatient surgical center under
91.20 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means
91.21 health services furnished to a person whose medical condition is sufficiently acute to
91.22 require treatment unavailable through, or inappropriate to be provided by, a clinic or
91.23 physician's office, but not so acute as to require treatment in a hospital emergency room.

91.24 (c) This exemption does not apply to the following products and services:

91.25 (1) purchases made by a clinic, physician's office, or any other medical facility not
91.26 operating as a hospital or outpatient surgical center, even though the clinic, office, or
91.27 facility may be owned and operated by a hospital or outpatient surgical center;

91.28 (2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph
91.29 (g), clause (2), and prepared food, candy, and soft drinks;

91.30 (3) building and construction materials used in constructing buildings or facilities
91.31 that will not be used principally by the hospital or outpatient surgical center;

91.32 (4) building, construction, or reconstruction materials purchased by a contractor
91.33 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
91.34 guaranteed maximum price covering both labor and materials for use in the construction,
91.35 alteration, or repair of a hospital or outpatient surgical center; or

92.1 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

92.2 (d) A limited liability company also qualifies for exemption under this subdivision if
92.3 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
92.4 purchased qualify for the exemption.

92.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

92.6 Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

92.7 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following
92.8 sales by the specified organizations for fund-raising purposes are exempt, subject to the
92.9 limitations listed in paragraph (b):

92.10 (1) all sales made by an organization that exists solely for the purpose of providing
92.11 educational or social activities for young people primarily age 18 and under;

92.12 (2) all sales made by an organization that is a senior citizen group or association of
92.13 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized
92.14 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)
92.15 no part of its net earnings inures to the benefit of any private shareholders;

92.16 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if
92.17 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization
92.18 under section 501(c)(3) of the Internal Revenue Code; and

92.19 (4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a
92.20 nonprofit organization that provides educational and social activities primarily for young
92.21 people age 18 and under.

92.22 (b) The exemptions listed in paragraph (a) are limited in the following manner:

92.23 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross
92.24 annual receipts of the organization from fund-raising do not exceed \$10,000; and

92.25 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are
92.26 derived from admission charges or from activities for which the money must be deposited
92.27 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in
92.28 the same manner as other revenues or expenditures of the school district under section
92.29 123B.49, subdivision 4.

92.30 (c) Sales of tangible personal property are exempt if the entire proceeds, less the
92.31 necessary expenses for obtaining the property, will be contributed to a registered combined
92.32 charitable organization described in section 309.501, to be used exclusively for charitable,
92.33 religious, or educational purposes, and the registered combined charitable organization
92.34 has given its written permission for the sale. Sales that occur over a period of more than
92.35 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

Subd. 14. Fund-raising events sponsored by nonprofit groups. (a) Sales of tangible personal property at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the fund-raising event.

(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

94.1 veterans' purposes, no part of the net earnings of which inures to the benefit of a private
94.2 individual.

94.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

94.4 Sec. 25. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

94.5 Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61,
94.6 subdivision 3, or any other provision of this chapter, the gross receipts from the following
94.7 sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports
94.8 Commission to conduct a series of statewide amateur athletic games and related events,
94.9 workshops, and clinics are exempt:

94.10 (1) sales of tangible personal property to or the storage, use, or other consumption of
94.11 tangible personal property by the nonprofit corporation; and

94.12 (2) sales of tangible personal property, admission charges, and sales of ~~food,~~
94.13 ~~meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at
94.14 fund-raising events, athletic events, or athletic facilities.

94.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

94.16 Sec. 26. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is
94.17 amended to read:

94.18 Subd. 2. **Content and form of exemption certificate.** An exemption certificate
94.19 must be substantially in the form prescribed by the commissioner and:

94.20 (1) be signed by the purchaser or meet the requirements of section 270C.304;

94.21 (2) bear the name and address of the purchaser; and

94.22 (3) indicate the sales tax account number, if any, issued to the purchaser; and

94.23 ~~(4) indicate the general character of the property sold by the purchaser in the regular~~
94.24 ~~course of business or the activities carried on by the organization; and~~

94.25 ~~(5) identify the property purchased.~~

94.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

94.27 Sec. 27. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 1, is
94.28 amended to read:

94.29 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
94.30 following exempt items must be imposed and collected as if the sale were taxable and the
94.31 rate under section 297A.62, subdivision 1, applied. The exempt items include:

94.32 (1) capital equipment exempt under section 297A.68, subdivision 5;

94.33 (2) building materials for an agricultural processing facility exempt under section
94.34 297A.71, subdivision 13;

- 95.1 (3) building materials for mineral production facilities exempt under section
 95.2 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision
 95.4 3;
- (5) building materials used in a residence for disabled veterans exempt under section
 95.5 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section
 95.8 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law
 95.10 enforcement and family service center under section 297A.71, subdivision 26;
- (9) materials and supplies for qualified low-income housing under section 297A.71,
 95.12 subdivision 23; ~~and~~
- (10) materials, supplies, and equipment for municipal electric utility facilities under
 95.14 section 297A.71, subdivision 35;
- (11) equipment and materials used for the generation, transmission, and distribution
 95.16 of electrical energy and an aerial camera package exempt under section 297A.68,
 95.17 subdivision 37; and
- (12) tangible personal property and taxable services and construction materials,
 95.19 supplies, and equipment exempt under section 297A.68, subdivision 41.

95.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

95.22 Sec. 28. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 2, is
 95.23 amended to read:

95.24 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
 95.25 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
 95.26 must be paid to the applicant. Only the following persons may apply for the refund:

- (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- (2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental
 95.29 subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits
 95.31 provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead
 95.33 property;
- (5) for subdivision 1, clause (9), the owner of the qualified low-income housing
 95.34 project; ~~and~~
- 95.35

(6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; and

(7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), ~~or~~ (10), (11), or (12), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1, is amended to read:

Subdivision 1. **Motor vehicle lease price; payment.** (a) In the case of a lease of a motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the tax is imposed on the total amount to be paid by the lessee under the lease agreement. The lessor shall collect the tax in full at the time the lease is executed or, if the tax is included in the lease and the lease is assigned, the tax is due from the original lessor at the time the lease is assigned. The total amount to be paid by the lessee under the lease agreement equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee taken in trade by the lessor, plus the price of any taxable goods and services included in the lease and the rent charge as provided by Code of Federal Regulations, title 12, section 213.4, excluding any rent charge related to the capitalization of the tax.

(b) If the total amount paid by the lessee for use of the leased vehicle includes amounts that are not calculated at the time the lease is executed, the tax is imposed and must be collected by the lessor at the time the amounts are paid by the lessee. In the case of a lease which by its terms may be renewed, the sales tax is due and payable on the total amount to be paid during the initial term of the lease, and then for each subsequent renewal period on the total amount to be paid during the renewal period.

97.1 (c) If a lease is canceled or rescinded on or before 90 days of its execution or if a
97.2 vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim
97.3 for a refund of the total tax paid minus the amount of tax due for the period the vehicle is
97.4 used by the lessee.

97.5 (d) If a lessee's obligation to make payments on a lease is canceled more than 90
97.6 days after its execution, a credit is allowed against sales tax or motor vehicles sales tax
97.7 due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is
97.8 consummated within 30 days of the date the prior lease was canceled. The amount of the
97.9 credit is equal to (1) the sales tax paid at the inception of the lease, multiplied by (2)
97.10 the ratio of the number of full months remaining in the lease at the time of termination
97.11 compared to the term of the lease used in calculating sales tax paid at the inception of the
97.12 lease. The credit or any part of it cannot be assigned or transferred to another person.

97.13 **EFFECTIVE DATE.** This section is effective for leases entered into after
97.14 September 30, 2005.

97.15 Sec. 31. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

97.16 Subd. 7. **Exemptions.** (a) All goods or services that are otherwise exempt from
97.17 taxation under this chapter are exempt from a political subdivision's tax.

97.18 (b) ~~The gross receipts from the sale of tangible personal property that meets the~~
97.19 ~~requirement of section 297A.68, subdivision 15, are exempt, except the qualification~~
97.20 ~~test applies based on the boundaries of the political subdivision instead of the state~~
97.21 ~~of Minnesota.~~

97.22 (c) All mobile transportation equipment, and parts and accessories attached to or
97.23 to be attached to the equipment are exempt, if purchased by a holder of a motor carrier
97.24 direct pay permit under section 297A.90.

97.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

97.26 Sec. 32. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective
97.27 date, is amended to read:

97.28

97.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
97.30 October 28, 2002, but for land clearing contracts entered into after October 28, 2002,
97.31 but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section
97.32 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

97.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

97.34 Sec. 33. **REPEALER.**

98.1 (a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

98.2 (b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7,
98.3 and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

98.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

98.5 **ARTICLE 7**

98.6 **DEPARTMENT OF REVENUE**

98.7 **SPECIAL TAXES AND FEES**

98.8 Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is
98.9 amended to read:

98.10 Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility
98.11 shall register on or before October 1 of each year with the commissioner of revenue in
98.12 a manner prescribed by the commissioner of revenue and pay a registration fee for the
98.13 facility. The amount of the fee is:

98.14 (1) \$500, for facilities with a full-time equivalence of fewer than five;

98.15 (2) \$1,000, for facilities with a full-time equivalence of five to ten; and

98.16 (3) \$1,500, for facilities with a full-time equivalence of more than ten.

98.17 The registration fee must be paid on or before October 18 or the owner or operator
98.18 of a dry cleaning facility may elect to pay the fee in equal installments. Installment
98.19 payments must be paid on or before October 18, on or before January 18, on or before
98.20 April 18, and on or before June 18. All payments made after October 18 bear interest
98.21 at the rate specified in section 270C.40.

98.22 (b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the
98.23 state shall collect and remit to the commissioner of revenue in a manner prescribed by the
98.24 commissioner of revenue, on or before the 20th day of the month following the month in
98.25 which the sales of dry cleaning solvents are made, a fee of:

98.26 (1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities
98.27 in the state;

98.28 (2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use
98.29 by dry cleaning facilities in the state; and

98.30 (3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry
98.31 cleaning facilities in the state.

98.32 (c) The audit, assessment, appeal, collection, enforcement, and administrative
98.33 provisions of chapters 270C and 289A apply to the fee imposed by this subdivision.

98.34 To enforce this subdivision, the commissioner of revenue may grant extensions to file
98.35 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.

EFFECTIVE DATE. This section is effective for returns and payments due on or after October 1, 2006.

Sec. 2. [287.222] TRANSFER TO OBTAIN FINANCING.

The deed tax is \$1.65 on a deed or other instrument that transfers real property if the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary, and (3) done solely to enable the builder or contractor to obtain financing to build an improvement on the conveyed property under a contract for improvement with the grantor that calls for the conveyed property to be reconveyed to the grantor upon completion of and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument that transfers the real property back from the builder or contractor to the grantor.

EFFECTIVE DATE. This section is effective for deeds both executed and recorded on or after July 1, 2006.

Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed;

100.1 supervised living facilities for persons with mental retardation or related conditions,
100.2 licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes~~
100.3 ~~licensed under chapter 144B~~; housing with services establishments required to be
100.4 registered under chapter 144D; board and lodging establishments providing only custodial
100.5 services that are licensed under chapter 157 and registered under section 157.17 to
100.6 provide supportive services or health supervision services; adult foster homes as defined
100.7 in Minnesota Rules, part 9555.5105; day training and habilitation services for adults
100.8 with mental retardation and related conditions as defined in section 252.41, subdivision
100.9 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day
100.10 care centers as defined in Minnesota Rules, part 9555.9600;

100.11 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart
100.12 15; a person providing personal care services and supervision of personal care services
100.13 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing
100.14 services as defined in Minnesota Rules, part 9505.0360; and home care providers required
100.15 to be licensed under chapter 144A;

100.16 (3) a person who employs health care providers solely for the purpose of providing
100.17 patient services to its employees; and

100.18 (4) an educational institution that employs health care providers solely for the
100.19 purpose of providing patient services to its students if the institution does not receive fee
100.20 for service payments or payments for extended coverage.

100.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

100.22 Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

100.23 Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or~~ health care
100.24 provider, or wholesale drug distributor must not state the tax obligation under section
100.25 295.52 in a deceptive or misleading manner. It must not separately state tax obligations
100.26 on bills provided to patients, consumers, or other payers when the amount received for
100.27 the services or goods is not subject to tax.

100.28 Pharmacies that separately state the tax obligations on bills provided to consumers
100.29 or to other payers who purchase legend drugs may state the tax obligation as the wholesale
100.30 price of the legend drugs multiplied by the tax percentage specified in section 295.52.
100.31 Pharmacies must not state the tax obligation based on the retail price.

100.32 Whenever the commissioner determines that a person has engaged in any act or
100.33 practice constituting a violation of this subdivision, the commissioner may bring an action
100.34 in the name of the state in the district court of the appropriate county to enjoin the act
100.35 or practice and to enforce compliance with this subdivision, or the commissioner may

101.1 refer the matter to the attorney general or the county attorney of the appropriate county.
101.2 Upon a proper showing, a permanent or temporary injunction, restraining order, or other
101.3 appropriate relief must be granted.

101.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

101.5 Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision
101.6 to read:

101.7 Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means
101.8 (1) the average retail price per pack of 20 cigarettes, with the average price weighted by
101.9 the number of packs sold at each price, (2) reduced by the sales tax included in the retail
101.10 price, and (3) adjusted for the expected inflation from the time of the survey to the average
101.11 of the 12 months that the sales tax will be imposed. The commissioner shall make the
101.12 inflation adjustment in accordance with the Consumer Price Index for all urban consumers
101.13 inflation indicator as published in the most recent state budget forecast. The inflation
101.14 factor for the calendar year in which the new tax rate takes effect must be used.

101.15 **EFFECTIVE DATE.** This section is effective April 30, 2006.

101.16 Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

101.17 Subd. 7. **Distilled spirits.** "Distilled spirits" is means:

101.18 (1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of
101.19 wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and
101.20 mixtures, for nonindustrial use;

101.21 (2) any beverage that would be classified as a flavored malt beverage except that the
101.22 alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent
101.23 of the alcohol content of the product; or

101.24 (3) any beverage that would be classified as a flavored malt beverage except that the
101.25 beverage contains more than six percent alcohol by volume, and more than 1.5 percent
101.26 of the volume of the finished product consists of alcohol derived from flavors and other
101.27 nonbeverage ingredients that contain alcohol.

101.28 **EFFECTIVE DATE.** This section is effective July 1, 2006.

101.29 Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision
101.30 to read:

101.31 Subd. 8a. **Flavored malt beverage.** (a) "Flavored malt beverage" means a
101.32 fermented malt beverage that:

101.33 (1) contains six percent or less alcohol by volume and derives at least 51 percent of
101.34 its alcohol content by volume from the fermentation of grain, as long as not more than 49

102.1 percent of the beverage's overall alcohol content is obtained from flavors and other added
102.2 nonbeverage ingredients containing alcohol; or

102.3 (2) contains more than six percent alcohol by volume that derives not more than 1.5
102.4 percent of its overall alcohol content by volume from flavors and other added nonbeverage
102.5 ingredients containing alcohol.

102.6 (b) Flavored malt beverage does not include cider or an alcoholic beverage obtained
102.7 primarily by fermentation of rice, such as sake.

102.8 **EFFECTIVE DATE.** This section is effective July 1, 2006.

102.9 **ARTICLE 8**

102.10 **DEPARTMENT OF REVENUE**

102.11 **MISCELLANEOUS**

102.12 Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
102.13 amended to read:

102.14 Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"
102.15 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that
102.16 is prescribed by the commissioner. Electronic means includes the use of a touch-tone
102.17 telephone to transmit return information in a manner prescribed by the commissioner.

102.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

102.19 Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

102.20 **270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

102.21 For purposes of a law administered by the commissioner, the name of the taxpayer,
102.22 the name of the taxpayer's authorized agent, or the taxpayer's identification number,
102.23 will constitute a signature when transmitted as part of the return information on returns
102.24 filed by electronic means by the taxpayer or at the taxpayer's direction. **"Electronic**
102.25 ~~means" includes, but is not limited to, the use of a touch-tone telephone to transmit return~~
102.26 ~~information in a manner prescribed by the commissioner.~~

102.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

102.28 Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is
102.29 amended to read:

102.30 Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of
102.31 assessment in any of the following circumstances:

102.32 (1) the commissioner determines that the correct amount of tax is different than that
102.33 assessed on a return filed with the commissioner;

103.1 (2) no return has been filed and the commissioner determines the amount of tax
103.2 that should have been assessed;

103.3 (3) the commissioner determines that the correct amount of a refundable credit
103.4 is different than the amount claimed by a taxpayer. For purposes of this subdivision,
103.5 "refundable credit" means a refund benefit or credit due a person that is unrelated to the
103.6 person's liability for a tax. "Refundable credit" does not include estimated tax payments
103.7 or withholding taxes. An assessment for an overpayment of a refundable credit may be
103.8 collected in the same manner as a tax collected by the commissioner; ~~and~~

103.9 (4) the commissioner determines the correct amount of a tax that the taxpayer is not
103.10 required to assess by a return filed with the commissioner; and

103.11 (5) the commissioner determines that a penalty other than a penalty for late payment
103.12 of tax, late filing of a return, or failure to pay tax by electronic means should be imposed,
103.13 and the penalty is not included on an order of assessment made under clauses (1) to (4).

103.14 (b) An order of assessment must be in writing.

103.15 (c) An order of assessment must be signed by the commissioner or a delegate, or
103.16 have their facsimile signature, if the change in tax, excluding penalties and interest,
103.17 exceeds \$1,000.

103.18 (d) An order of assessment is final when made but, as applicable, is reviewable
103.19 administratively under section 270C.35, or appealable to Tax Court under chapter 271.

103.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

103.21 Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is
103.22 amended to read:

103.23 Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability
103.24 against a successor business under this section within the time prescribed for collecting
103.25 the underlying sales and withholding taxes, interest, and penalties. The assessment is
103.26 presumed to be valid, and the burden is upon the successor to show it is incorrect or
103.27 invalid. An order assessing successor liability is reviewable administratively under section
103.28 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate
103.29 an assessment if the successor's failure to give the notice required under this section is due
103.30 to reasonable cause. The procedural and appeal provisions under section 270C.34 apply
103.31 to abatement requests under this subdivision. Collection remedies available against the
103.32 transferring business are available against the successor from the date of assessment of
103.33 successor liability.

103.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.1 Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is
104.2 amended to read:

104.3 Subdivision 1. **Authority.** If any tax payable to the commissioner or to the
104.4 department is not paid when due, such tax may be collected by the commissioner within
104.5 five years after the date of assessment of the tax, or if a lien has been filed, during the
104.6 period the lien is enforceable, or if the tax judgment has been filed, within the statutory
104.7 period of enforcement of a valid tax judgment, by a levy upon all property and rights
104.8 to property, including any property in the possession of law enforcement officials, of
104.9 the person liable for the payment or collection of such tax (~~except that which is exempt~~
104.10 ~~from execution pursuant to section 550.37~~) or property on which there is a lien provided
104.11 in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs,
104.12 properly payable.

104.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.14 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a
104.15 subdivision to read:

104.16 Subd. 1a. **Exempt property.** A levy under this section is not enforceable against:

104.17 (1) a purchaser with respect to tangible personal property purchased at retail in
104.18 the ordinary course of the seller's trade or business, unless at the time of purchase the
104.19 purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat
104.20 the collection of a tax; or

104.21 (2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.

104.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

104.23 Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

104.24 **271.12 WHEN ORDER EFFECTIVE.**

104.25 No order for refundment by the commissioner of revenue, the appropriate unit of
104.26 government, or the Tax Court shall take effect until the time for appeal therefrom or
104.27 review thereof by all parties entitled thereto has expired. Otherwise every order of the
104.28 commissioner, the appropriate unit of government, or the Tax Court shall take effect
104.29 immediately upon the filing thereof, and no appeal therefrom or review thereof shall
104.30 stay the execution thereof or extend the time for payment of any tax or other obligation
104.31 unless otherwise expressly provided by law; provided, that in case an order which has
104.32 been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal,
104.33 the determination upon appeal or review shall supersede the order appealed from and be
104.34 binding upon all parties affected thereby, and such adjustments as may be necessary
104.35 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 under chapter 290 that occurs 60 days or more after July 14, 2005. With respect to transactions in which the taxpayer participated for taxable years ending on and after

106.1 December 31, 2005, disclosure must be made in the time and manner prescribed in Code
106.2 of Federal Regulations, title 26, section 1.6011-4(e).

106.3 (d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions
106.4 entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer
106.5 has filed an amended income tax return which reverses the tax benefits of the tax
106.6 shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has
106.7 determined the tax treatment of the transaction and an amended return has been filed
106.8 to reflect the federal treatment.

106.9 **EFFECTIVE DATE.** This section is effective for disclosures of reportable
106.10 transactions in which the taxpayer participated for taxable years ending before December
106.11 31, 2005.

106.12 Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

106.13 Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals
106.14 is not subject to allocation outside this state. The allocation rules apply to nonresident
106.15 individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders
106.16 of corporations treated as "S" corporations under section 290.9725, and all corporations
106.17 not having such an election in effect. If a partnership or corporation would not otherwise
106.18 be subject to the allocation rules, but conducts a trade or business that is part of a
106.19 unitary business involving another legal entity that is subject to the allocation rules, the
106.20 partnership or corporation is subject to the allocation rules.

106.21 (b) Expenses, losses, and other deductions (referred to collectively in this paragraph
106.22 as "deductions") must be allocated along with the item or class of gross income to which
106.23 they are definitely related for purposes of assignment under this section or apportionment
106.24 under section 290.191, 290.20, or 290.36. Deductions ~~not~~ definitely related to any item
106.25 ~~or class~~ of gross income ~~are assigned~~ under subdivision 2, paragraph (e), are assigned to
106.26 the taxpayer's domicile.

106.27 (c) In the case of an individual who is a resident for only part of a taxable year,
106.28 the individual's income, gains, losses, and deductions from the distributive share of a
106.29 partnership, S corporation, trust, or estate are not subject to allocation outside this state
106.30 to the extent of the distributive share multiplied by a ratio, the numerator of which is
106.31 the number of days the individual was a resident of this state during the tax year of the
106.32 partnership, S corporation, trust, or estate, and the denominator of which is the number of
106.33 days in the taxable year of the partnership, S corporation, trust, or estate.

106.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

ARTICLE 9

PUBLIC FINANCE

Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to read:

Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold in accordance with section~~ according to sections 475.56 and 475.60.

Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever is less, if financed or guaranteed by the United States Department of Agriculture, and bear such rate or rates of interest not exceeding eight percent per annum, payable annually or semiannually as the county board shall by resolution determine. The years and amounts of principal maturities shall be such as in the opinion of the county board are warranted by the anticipated collections of the water and sewer improvement assessments without regard to any limitations on such maturities imposed by section 475.54.

Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or more may in accordance with chapter 475, except as otherwise provided herein, issue and sell its obligations for the purpose of establishing, locating, relocating, constructing, reconstructing, and improving municipal state-aid streets therein. In the resolution providing for the issuance of the obligations, the governing body of the municipality shall irrevocably pledge and appropriate to the sinking fund from which the obligations are payable, an amount of the moneys allotted or to be allotted to the municipality from its account in the municipal state-aid street fund sufficient to pay the principal of and the interest on the obligations as they respectively come due. The obligations shall be issued in amounts and on terms such that the average annual amount of principal and interest due in all subsequent calendar years on the obligations, including any similar obligations of the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of ~~the last annual allotment preceding the bond issue received by the municipality from the construction account in the municipal state-aid street fund, except that the municipality may issue general obligation bonds for said purpose, to be purchased by it for the account of any one or more of its own funds, including debt redemption funds, in which case such bonds shall mature in not exceeding five years from their respective dates of issue, in principal amounts not exceeding in any calendar year, with the principal amount of all~~

108.1 ~~other municipal state-aid street obligations maturing in such year, the total amount of the~~
108.2 last annual allotment preceding the bond issue received by the municipality from the
108.3 construction account in the municipal state-aid street fund. All interest on the obligations
108.4 shall be paid out of the municipality's normal maintenance account in the municipal
108.5 state-aid street fund. Any such obligations may be made general obligations, but if
108.6 moneys of the municipality other than moneys received from the municipal state-aid street
108.7 fund, are used for payment of the obligations, the moneys so used shall be restored to the
108.8 appropriate fund from the moneys next received by the municipality from the construction
108.9 or maintenance account in the municipal state-aid street fund which are not required to be
108.10 paid into a sinking fund for obligations.

108.11 Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

108.12 Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any
108.13 county may, in accordance with chapter 475, issue and sell its obligations, the total
108.14 amount thereof not to exceed the total of the preceding two years state-aid allotments,
108.15 for the purpose of establishing, locating, relocating, constructing, reconstructing, and
108.16 improving county state-aid highways and constructing buildings and other facilities for
108.17 maintaining county state-aid highways. In the resolution providing for the issuance of the
108.18 obligations, the county board of the county shall irrevocably pledge and appropriate to the
108.19 sinking fund from which the obligations are payable, an amount of the money allotted
108.20 or to be allotted to the county from its account in the county state-aid highway fund
108.21 sufficient to pay the principal of and the interest on the obligations as they respectively
108.22 come due. The obligations shall be issued in the amounts and on terms such that the
108.23 amount of principal and interest due in any calendar year on the obligations, including
108.24 any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90
108.25 percent of the amount of the last annual allotment preceding the bond issue received
108.26 by the county from the construction account in the county state-aid highway fund. All
108.27 interest on the obligations shall be paid out of the county's normal maintenance account
108.28 in the county state-aid highway fund. The obligations may be made general obligations,
108.29 but if money of the county other than money received from the county state-aid highway
108.30 fund, is used for payment of the obligations, the money so used shall be restored to the
108.31 appropriate fund from the money next received by the county from the construction or
108.32 maintenance account in the county state-aid highway fund which is not required to be
108.33 paid into a sinking fund for obligations.

108.34 Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

108.35 **273.032 MARKET VALUE DEFINITION.**

109.1 For the purpose of determining any property tax levy limitation based on market
109.2 value, ~~any net debt limit based on market value, any limit on the issuance of bonds,~~
109.3 ~~certificates of indebtedness, or capital notes based on market value,~~ any qualification
109.4 to receive state aid based on market value, or any state aid amount based on market
109.5 value, the terms "market value," "taxable market value," and "market valuation," whether
109.6 equalized or unequalized, mean the total taxable market value of property within the local
109.7 unit of government before any adjustments for tax increment, fiscal disparity, powerline
109.8 credit, or wind energy values, but after the limited market adjustments under section
109.9 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
109.10 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
109.11 "market value," "taxable market value," and "market valuation" for purposes of this
109.12 paragraph, refer to the taxable market value for the previous assessment year.

13 For the purpose of determining any net debt limit based on market value, or any limit
109.14 on the issuance of bonds, certificates of indebtedness, or capital notes based on market
109.15 value, the terms "market value," "taxable market value," and "market valuation," whether
109.16 equalized or unequalized, mean the total taxable market value of property within the local
109.17 unit of government before any adjustments for tax increment, fiscal disparity, powerline
109.18 credit, or wind energy values, but after the limited market adjustments under section
109.19 273.11, subdivision 1a, and after the market value exclusions of certain improvements to
109.20 homestead property under section 273.11, subdivision 16. Unless otherwise provided,
109.21 "market value," "taxable market value," "market valuation" for purposes of this paragraph,
109.22 mean the taxable market value as last finally equalized.

23 Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

109.24 **365A.08 FINANCING.**

109.25 Upon adoption of the next annual budget following the creation of a subordinate
109.26 service district the town board shall include in the budget appropriate provisions for the
109.27 operation of the district including either a property tax levied only on property of the users
109.28 of the service within the boundaries of the district or a levy of a service charge against the
109.29 users of the service within the district, or a combination of a property tax and a service
109.30 charge on the users of the service.

109.31 A tax or service charge or a combination of them may be imposed to finance a
109.32 function or service in the district that the town ordinarily provides throughout the town
109.33 only to the extent that there is an increase in the level of the function or service provided
109.34 in the service district over that provided throughout the town. In that case, in addition
109.35 to the townwide tax levy, an amount necessary to pay for the increase in the level of the
109.36 function or service may be imposed in the district.

In the proceedings for establishment of a subordinate service district, the town may prepare a street reconstruction plan that describes the streets within the district to be reconstructed, the estimated costs, and any planned reconstruction of streets within the district over the next five years and may include the approval of the street reconstruction plan and the issuance of obligations for street reconstruction in the notice of public hearing for the public hearing required by section 365A.04, subdivision 2. The town board shall approve or disapprove the plan and the issuance of obligations in the resolution adopted pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction obligations shall be subject to the provisions for reverse referendum contained in section 365A.06. Following the creation of the subordinate service district and approval of the plan and the street reconstruction obligations and compliance with section 365A.06, the town may, without regard to the election requirement under section 475.58, subdivision 1, issue and sell general obligations for street reconstruction as defined in section 475.58, subdivision 3b. Obligations issued under this section are subject to the debt limit of the town and are not excluded from net debt under section 475.51, subdivision 4.

Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.

Except when obligations are outstanding under section 365A.08, a petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given.

(b) "Authority" means the Minnesota Public Facilities Authority.

(c) "Commissioner" means the commissioner of finance.

(d) "Debt obligation" means a general obligation bond issued by a county, a bond to which the general obligation of a county is pledged under section 469.034, subdivision 2, or a bond payable from a county lease obligation under section 641.24, to provide funds for the construction of:

(1) jails;

(2) correctional facilities;

- 111.1 (3) law enforcement facilities;
111.2 (4) social services and human services facilities; ~~or~~
111.3 (5) solid waste facilities; or
111.4 (6) qualified housing development projects as defined in section 469.034, subdivision

111.5 2.

111.6 Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

111.7 **469.035 MANNER OF BOND ISSUANCE; SALE.**

111.8 Bonds of an authority shall be authorized by its resolution. They may be issued in
111.9 one or more series and shall bear the date or dates, mature at the time or times, bear interest
111.10 at the rate or rates, be in the denomination or denominations, be in the form either coupon
111.11 or registered, carry the conversion or registration privileges, have the rank or priority, be
111.12 executed in the manner, be payable in the medium of payment at the place or places, and
111.13 be subject to the terms of redemption with or without premium, as the resolution, its trust
111.14 indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not~~
111.15 ~~less than par~~ in the manner and for the price that the authority determines to be in the best
111.16 interest of the authority. Notwithstanding any other law, bonds issued pursuant to sections
111.17 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving
111.18 the validity or enforceability of any bonds of an authority or the security for the bonds,
111.19 any bond reciting in substance that it has been issued by the authority to aid in financing a
111.20 project shall be conclusively deemed to have been issued for that purpose, and the project
111.21 shall be conclusively deemed to have been planned, located, and carried out in accordance
111.22 with the purposes and provisions of sections 469.001 to 469.047.

111.23 In cities of the first class, the governing body of the city must approve all notes
111.24 executed with the Minnesota Housing Finance Agency pursuant to this section if the
111.25 interest rate on the note exceeds seven percent.

111.26 Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

111.27 Subd. 2. **Form.** The bonds of each series issued by the authority under this section
111.28 shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years
111.29 from the date of issuance, and shall be in the form, whether payable to bearer, registrable
111.30 as to principal, or fully registrable, as determined by the authority. Section 469.102,
111.31 subdivision 6, applies to all bonds issued under this section, and the bonds and their
111.32 coupons, if any, when payable to bearer, shall be negotiable instruments.

111.33 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is
111.34 amended to read:

111.35 Subd. 7. **Interfund loans.** The authority or municipality may advance or loan
111.36 money to finance expenditures under section 469.176, subdivision 4, from its general

112.1 fund or any other fund under which it has legal authority to do so. The loan or advance
112.2 must be authorized, by resolution of the governing body or of the authority, whichever
112.3 has jurisdiction over the fund from which the advance or loan is made, before money
112.4 is transferred, advanced, or spent, whichever is earliest. The resolution may generally
112.5 grant to the authority the power to make interfund loans under one or more tax increment
112.6 financing plans or for one or more districts. The terms and conditions for repayment of
112.7 the loan must be provided in writing and include, at a minimum, the principal amount,
112.8 the interest rate, and maximum term. The maximum rate of interest permitted to be
112.9 charged is limited to the greater of the rates specified under section 270C.40 or 549.09
112.10 as of the date or advance is made, unless the written agreement states that the maximum
112.11 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09
112.12 are from time to time adjusted.

112.13 Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision
112.14 to read:

112.15 Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in
112.16 subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of
112.17 indebtedness, bonds, or other obligations under this section in an amount not exceeding
112.18 \$32,800,000 for capital expenditures as prescribed in the council's regional transit master
112.19 plan and transit capital improvement program and for related costs, including the costs of
112.20 issuance and sale of the obligations.

112.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

112.22 Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

112.23 **474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

112.24 The Minnesota Higher Education Services Office is exempt from the 120-day
112.25 issuance requirements in this chapter and may carry forward allocations for student loan
112.26 bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice
112.27 requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward~~
112.28 ~~is limited to \$25,000,000.~~

112.29 **EFFECTIVE DATE.** This section is effective for bond allocations made in 2006
112.30 and thereafter.

112.31 Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is
112.32 amended to read:

112.33 **Subd. 4. Limitations on amount.** A municipality may not issue bonds under this
112.34 section if the maximum amount of principal and interest to become due in any year on
112.35 all the outstanding bonds issued under this section, including the bonds to be issued,

113.1 will equal or exceed (1) 0.16 percent of the taxable market value of property in the
113.2 municipality, or (2) \$100,000, whichever is greater. Calculation of the limit must be
113.3 made using the taxable market value for the taxes payable year in which the obligations
113.4 are issued and sold. In the case of a municipality with a population of 2,500 or more, the
113.5 bonds are subject to the net debt limits under section 475.53. In the case of a shared facility
113.6 in which more than one municipality participates, upon compliance by each participating
113.7 municipality with the requirements of subdivision 2, the limitations in this subdivision and
113.8 the net debt represented by the bonds shall be allocated to each participating municipality
113.9 in proportion to its required financial contribution to the financing of the shared facility, as
113.10 set forth in the joint powers agreement relating to the shared facility. This section does not
113.11 limit the authority to issue bonds under any other special or general law.

113.12 Sec. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to
13 read:

113.14 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of
113.15 Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range
113.16 resources and rehabilitation ~~may~~ shall issue revenue bonds in a principal amount of
113.17 \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series,
113.18 and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be
113.19 used to pay costs of issuance and to make grants to school districts located in the taconite
113.20 tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance
113.21 area defined in Minnesota Statutes, section 273.1341, to be used by the school districts
113.22 to pay for health, safety, and maintenance improvements ~~but only if the school district~~
113.23 ~~has levied the maximum amount allowable under law for those purposes.~~ The amounts of
113.24 proceeds to be distributed to each district are as follows:

- 113.25 (1) Independent School District No. 511, Aitkin, \$600,000;
113.26 (2) Independent School District No. 695, Chisholm, \$700,000;
113.27 (3) Independent School District No. 166, Cook County, \$600,000;
113.28 (4) Independent School District No. 182, Crosby-Ironton, \$600,000;
113.29 (5) Independent School District No. 696, Ely, \$600,000;
113.30 (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;
113.31 (7) Independent School District No. 318, Grand Rapids, \$600,000;
113.32 (8) Independent School District No. 316, Greenway, \$1,100,000;
113.33 (9) Independent School District No. 701, Hibbing, \$2,100,000;
34 (10) Independent School District No. 381, Lake Superior, \$600,000;
113.35 (11) Independent School District No. 2711, Mesabi East, \$3,600,000;
113.36 (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;

- 114.1 (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;
114.2 (14) Independent School District No. 2142, St. Louis County, \$600,000; and
114.3 (15) Independent School District No. 706, Virginia, \$900,000.
114.4

114.5 **Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.**

114.6 The Carver County Housing and Redevelopment Authority created under Laws,
114.7 1980, chapter 482, is renamed the Carver County Community Development Agency.

114.8 **Sec. 17 CITY OF WINSTED; BONDING AUTHORITY.**

114.9 (a) The city of Winsted may issue general obligation bonds under Minnesota
114.10 Statutes, chapter 475, to finance the acquisition and betterment of a public works facility
114.11 and a facility consisting of a city hall, community center and police station, including
114.12 landscaping.

114.13 (b) The bonds may be issued as general obligations of the city without an election to
114.14 approve the bonds under Minnesota Statutes, section 475.58.

114.15 (c) The bonds are not included in computing any debt limitation applicable to the
114.16 city, including the net debt limits under Minnesota Statutes, section 475.53, and the levy
114.17 of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the
114.18 bonds is not subject to any levy limitation.

114.19 (d) The aggregate principal amount of bonds used to pay costs of the acquisition and
114.20 betterment of the public works facility and the facility consisting of a city hall, community
114.21 center and police station, including landscaping, may not exceed \$5,000,000, plus an
114.22 amount equal to the costs related to issuance of the bonds and capitalized interest.

114.23 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
114.24 body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

114.25 **Sec. 18. UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY**
114.26 **PRIORITY.**

114.27 Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph
114.28 (b), prior to October 1, 2006, only the following applications shall be awarded allocations
114.29 from the unified pool. Allocations shall be awarded in the following order of priority:

114.30 (1) applications for student loan bonds issued by or on behalf of the Office of
114.31 Higher Education;

114.32 (2) applications for residential rental project bonds;

114.33 (3) applications for small issue bonds for manufacturing projects; and

114.34 (4) applications for small issue bonds for agricultural development bond loan
114.35 projects.

EFFECTIVE DATE. This section is effective July 1, 2006.

Sec. 19. UNIFIED POOL; TEMPORARY PRIORITY CHANGE.

Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (c), on the first Monday in October, 2006, through the last Monday in November, 2006, allocations shall be awarded from the unified pool in the following order of priority:

(1) applications for mortgage bonds;

(2) applications for public facility projects funded by public facility bonds;

(3) applications for small issue bonds for manufacturing projects;

(4) applications for small issue bonds for agricultural development bond loan projects;

(5) applications for residential rental project bonds;

(6) applications for enterprise zone facility bonds;

(7) applications for governmental bonds; and

(8) applications for redevelopment bonds.

EFFECTIVE DATE. This section is effective July 1, 2006.

Sec. 20. UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL ALLOCATION.

Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i), 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.

EFFECTIVE DATE. This section is effective July 1, 2006.

Sec. 21. APPLICATION.

Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

ARTICLE 10

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2005 Supplement, section 287.21, subdivision 1, is amended to read:

Subdivision 1. Determination of tax. (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to

another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is \$500 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds \$500, the tax is ~~.0033~~ .005 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at ~~.0033~~ .005 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

Sec. 2. Minnesota Statutes 2005 Supplement, section 287.29, subdivision 1, is amended to read:

Subdivision 1. Appointment and payment of tax proceeds. (a) The proceeds of the taxes levied and collected under sections 287.21 to 287.39 must be apportioned, 97

117.1 ~~percent to the general fund of the state, and three percent of the tax at a rate of .0033 to the~~
117.2 ~~county revenue fund, and the remainder to the general fund.~~

117.3 (b) On or before the 20th day of each month, the county treasurer shall determine
117.4 and pay to the commissioner of revenue for deposit in the state treasury and credit to the
117.5 general fund the state's portion of the receipts for deed tax from the preceding month
117.6 subject to the electronic transfer requirements of section 270C.42. The county treasurer
117.7 shall provide any related reports requested by the commissioner of revenue.

117.8 (c) Counties must remit the state's portion of the June receipts collected through June
117.9 25 and the estimated state's portion of the receipts to be collected during the remainder of
117.10 the month to the commissioner of revenue two business days before June 30 of each year.
117.11 The remaining amount of the June receipts is due on August 20.

117.12 Sec. 3. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to read:

117.13 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
117.14 January 1, ~~2008~~ 2013.

117.15 Sec. 4. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

117.16 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
117.17 January 1, ~~2008~~ 2013.

117.18 Sec. 5. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

117.19 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota
117.20 County may impose a mortgage registry and deed tax.

117.21 (b) The rate of the mortgage registry tax equals .0001 of the principal.

117.22 (c) The rate of the deed tax equals .0001 of the amount.

117.23 Subd. 2. **General law provisions apply.** The taxes under this section apply to
117.24 the same base and must be imposed, collected, administered, and enforced in the same
117.25 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
117.26 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
117.27 subdivision 1, the term "Dakota County" must be substituted for "the state," and the
117.28 revenue must be deposited as provided in subdivision 3.

117.29 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of
117.30 the Dakota County Board of Commissioners and must be deposited in the county's
117.31 environmental response fund under section 383D.76.

117.32 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
117.33 January 1, 2013.

117.34 Sec. 6. **[383D.76] ENVIRONMENTAL RESPONSE FUND.**

118.1 Subdivision 1. **Creation.** An environmental response fund is created for the purposes
118.2 specified in this section. The taxes imposed by section 383D.75 must be deposited in the
118.3 fund. The Board of County Commissioners shall administer the fund either as a county
118.4 board, a housing and redevelopment authority, or a regional rail authority.

118.5 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
118.6 following purposes:

118.7 (1) acquisition through purchase or condemnation of lands or property which are
118.8 polluted or contaminated with hazardous substances;

118.9 (2) paying the costs associated with indemnifying or holding harmless the
118.10 entity taking title to lands or property from any liability arising out of the ownership,
118.11 remediation, or use of the land or property;

118.12 (3) paying for the costs of remediating the acquired land or property;

118.13 (4) paying the costs associated with remediating lands or property which are polluted
118.14 or contaminated with hazardous substances; or

118.15 (5) paying for the costs associated with improving the property for economic
118.16 development, recreational, housing, transportation or rail traffic.

118.17 Subd. 3. **Matching funds.** In expending funds under this section, the county shall
118.18 seek matching funds from contamination cleanup funds administered by the commissioner
118.19 of the Department of Employment and Economic Development, the Metropolitan Council,
118.20 the federal government, the private sector, and any other source.

118.21 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by
118.22 section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

118.23 Subd. 5. **Land sales.** Land or property acquired under this section may be resold
118.24 at fair market value. Proceeds from the sale of the land must be deposited in the
118.25 environmental response fund.

118.26 Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with
118.27 the county and any affected municipality by providing technical assistance and support in
118.28 cleaning up a contaminated site related to a trunk highway or railroad improvement.

118.29 Sec. 7. Minnesota Statutes 2004, section 462A.201, is amended by adding a
118.30 subdivision to read:

118.31 Subd. 8. **Appropriation.** An amount equal to the proceeds of the deed tax
118.32 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000709 of the net
118.33 consideration is appropriated from the general fund to the commissioner of finance for
118.34 transfer to the housing development fund and credit to the housing trust fund account to
118.35 be used for rental assistance. No more than ten percent of these funds may be used for

119.1 operations of rental housing under section 462A.201. This appropriation to the housing
119.2 trust fund account shall not supplant current funding levels for housing.

119.3 Sec. 8. Minnesota Statutes 2004, section 462A.33, is amended by adding a subdivision
119.4 to read:

119.5 Subd. 9. **Appropriation.** An amount equal to the proceeds of the deed tax
119.6 under section 287.21, subdivision 1, paragraph (b), clause (3), on .000566 of the net
119.7 consideration is appropriated from the general fund to the commissioner of finance for
119.8 transfer to the housing development fund to be used for the economic development and
119.9 housing challenge program. This appropriation to the housing development fund shall not
119.10 supplant current funding levels for housing.

119.11 Sec. 9. **[462A.35] HOUSING ACCOUNT FOR LEVERAGE OPPORTUNITY.**

119.12 Subdivision 1. **Created.** The housing account for leverage opportunity is an account
119.13 created to be administered by the agency.

119.14 (a) The fund shall provide matching grants to eligible recipients for preservation,
119.15 renovation, or development of affordable home ownership or rental housing.

119.16 (b) Not less than 40 percent of the funds in the account are to be available for project
119.17 applications submitted by eligible recipients outside of the seven-county metropolitan area
119.18 as defined in section 473.121, subdivision 2, and outside of community development
119.19 entitlement areas as defined by the United States Department of Housing and Urban
119.20 Development.

119.21 (c) In any biennial funding cycle, funds not committed to eligible recipients for
119.22 affordable housing projects by March 1 of any odd-numbered year shall be available to
119.23 provide matching funds for projects of eligible recipients without regard to the limitation
119.24 established in paragraph (b).

119.25 (d) Only one matching grant may be awarded within the jurisdictional boundaries of
119.26 any eligible recipient in any year.

119.27 Subd. 2. **Eligible recipients.** Matching grants may be made to a county; a city, as
119.28 defined in section 462A.03, subdivision 21; a housing and redevelopment authority or
119.29 public housing agency, established pursuant to sections 469.001 to 469.047; an economic
119.30 development authority, established pursuant to sections 469.090 to 469.1082; a community
119.31 development agency, established pursuant to section 383D.41; or a federally recognized
119.32 American Indian tribe located in Minnesota.

119.33 Subd. 3. **Matching requirements.** (a) Grants from the incentive fund must be
119.34 matched on a dollar-for-dollar basis by funds, donations, including donations of building
119.35 materials, the value of any fee reduction granted by an eligible recipient for a housing
119.36 project, or the value of the land provided by eligible recipients.

120.1 (b) The minimum incentive fund grant award is \$50,000. The maximum incentive
120.2 fund grant award to any eligible recipient in any year is \$1,000,000.

120.3 (c) Local matching funds may not include funds secured from any other state or
120.4 federal program for the project for which eligible recipients submitted application to
120.5 the incentive fund.

120.6 Subd. 4. **Income limits.** Households served through the incentive fund
120.7 matching grant must not have incomes at the time of initial occupancy that exceed, for
120.8 homeownership projects, 115 percent of the greater of state or area median income as
120.9 determined by the United States Department of Housing and Urban Development, and
120.10 for rental housing projects, 60 percent of the greater of state or area median income as
120.11 determined by the Department of Housing and Urban Development.

120.12 Subd. 5. **Application process.** Eligible recipients must submit applications by April
120.13 15 of each year and funds will be allocated from available state funds on a pro rata basis to
120.14 eligible recipients whose applications satisfy matching requirements and income limits
120.15 provided in this section.

120.16 Sec. 10. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

120.17 **Subd. 3. Limitation on administrative expenses.** (a) For districts for which
120.18 certification was requested before August 1, 1979, or after June 30, 1982 and before
120.19 August 1, 2001, no tax increment shall be used to pay any administrative expenses for
120.20 a project which exceed ten percent of the total estimated tax increment expenditures
120.21 authorized by the tax increment financing plan or the total tax increment expenditures
120.22 for the project, whichever is less.

120.23 (b) For districts for which certification was requested after July 31, 1979, and before
120.24 July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in
120.25 Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the
120.26 total tax increment expenditures authorized by the tax increment financing plan or the total
120.27 estimated tax increment expenditures for the district, whichever is less.

120.28 (c) For districts for which certification was requested after July 31, 2001, no tax
120.29 increment may be used to pay any administrative expenses for a project which exceed
120.30 ten percent of total estimated tax increment expenditures authorized by the tax increment
120.31 financing plan or the total tax increments, as defined in section 469.174, subdivision 25,
120.32 clause (1), from the district, whichever is less.

120.33 (d) No administrative expenses or consulting costs incurred before certification of a
120.34 district may be paid from tax increments.

120.35 Sec. 11. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 2,
120.36 is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

- 122.1 (i) acquire and prepare the site of the housing;
- 122.2 (ii) acquire, construct, or rehabilitate the housing; or
- 122.3 (iii) make public improvements directly related to the housing.
- 122.4 (e) For a district created within a biotechnology and health sciences industry zone
- 122.5 as defined in section 469.330, subdivision 6, or for an existing district located within
- 122.6 such a zone, tax increment derived from such a district may be expended outside of
- 122.7 the district but within the zone only for expenditures required for the construction of
- 122.8 public infrastructure necessary to support the activities of the zone. Public infrastructure
- 122.9 expenditures are considered as expenditures for activities within the district.

122.10 Sec. 12. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

122.11 Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered

122.12 to have been expended on an activity within the district under subdivision 2 only if one

122.13 of the following occurs:

122.14 (1) before or within five years after certification of the district, the revenues are

122.15 actually paid to a third party with respect to the activity;

122.16 (2) bonds, the proceeds of which must be used to finance the activity, are issued and

122.17 sold to a third party before or within five years after certification, the revenues are spent

122.18 to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,

122.19 reasonably expected to be spent before the end of the later of (i) the five-year period, or

122.20 (ii) a reasonable temporary period within the meaning of the use of that term under section

122.21 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve

122.22 or replacement fund;

122.23 (3) binding contracts with a third party are entered into for performance of the

122.24 activity before or within five years after certification of the district and the revenues are

122.25 spent under the contractual obligation;

122.26 (4) costs with respect to the activity are paid before or within five years after

122.27 certification of the district and the revenues are spent to reimburse a party for payment

122.28 of the costs, including interest on unreimbursed costs; or

122.29 (5) expenditures are made for housing purposes as permitted by subdivision 2,

122.30 paragraph (b), or for public infrastructure purposes within a zone as permitted by

122.31 subdivision 2, paragraph (e).

122.32 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if

122.33 the original refunded bonds meet the requirements of paragraph (a), clause (2).

122.34 Sec. 13. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the sixth year following certification of the district, if the applicable in-district percent of the revenues derived from tax increments paid by properties in the district exceeds the amount of expenditures that have been made for costs permitted under subdivision 3, an amount equal to the difference between the in-district percent of the revenues derived from tax increments paid by properties in the district and the amount of expenditures that have been made for costs permitted under subdivision 3 must be used and only used to pay or defease the following or be set aside to pay the following:

- (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);
- (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~
- (3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to the extent that the increments from the applicable pooling percent share for the district are insufficient; or
- (4) the amount provided by the tax increment financing plan to be paid under subdivision 2, paragraph (e).

(b) When the outstanding bonds have been defeased and when sufficient money has been set aside to pay contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment discharged.

Sec. 14. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

- (1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and
- (2) the business subsidy agreement was executed after April 30, 2006.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to read:

124.1 Subdivision 1. **Establishment.** The city of Brooklyn Park may establish an
124.2 economic development tax increment financing district in which ~~15 percent~~ all of the
124.3 revenue generated from tax increment in any year that is not expended pursuant to a
124.4 pledge given or encumbrance created before January 1, 2006, is deposited in the housing
124.5 development account of the authority and expended according to the tax increment
124.6 financing plan.

124.7 Sec. 16. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to
124.8 read:

124.9

124.10 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing
124.11 activities that will be assisted by the housing development account. Housing activities
124.12 may include rehabilitation, acquisition, demolition, and financing of new or existing
124.13 single family or multifamily housing. Housing activities listed in the plan need not be
124.14 located within the district or project area but must be activities that meet the requirements
124.15 of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761,
124.16 subdivision 2, for owner-occupied housing or 469.174, subdivision 29, clause (1), for
124.17 rental housing.

124.18 Sec. 17. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

124.19 Subdivision 1. Authority to impose; rate. (a) The governing body of Anoka
124.20 County may impose a mortgage registry and deed tax.

124.21 (b) The rate of the mortgage registry tax equals .0001 of the principal.

124.22 (c) The rate of the deed tax equals .0001 of the amount.

124.23 Subd. 2. General law provisions apply. The taxes under this section apply to
124.24 the same base and must be imposed, collected, administered, and enforced in the same
124.25 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
124.26 All the provisions of chapter 287 apply to these taxes, except the rate is as specified
124.27 in subdivision 1, the term "Anoka County" must be substituted for "the state," and the
124.28 revenue must be deposited as provided in subdivision 3.

124.29 Subd. 3. Deposit of revenues. All revenues from the tax are for the use of the Anoka
124.30 County Board of Commissioners and must be deposited in the county's environmental
124.31 response fund under section 18.

124.32 Subd. 4. Expiration. The authority to impose the tax under this section expires
124.33 January 1, 2013.

124.34 Sec. 18. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

125.1 Subdivision 1. Creation. An environmental response fund is created for the
125.2 purposes specified in this section. The taxes imposed by section 17 must be deposited
125.3 in the fund. The Board of County Commissioners shall administer the fund either as a
125.4 county board, a housing and redevelopment authority, or a regional rail authority.

125.5 Subd. 2. Uses of fund. The fund created in subdivision 1 must be used for the
125.6 following purposes:

125.7 (1) acquisition through purchase or condemnation of lands or property which are
125.8 polluted or contaminated with hazardous substances;

125.9 (2) paying the costs associated with indemnifying or holding harmless the
125.10 entity taking title to lands or property from any liability arising out of the ownership,
125.11 remediation, or use of the land or property;

125.12 (3) paying for the costs of remediating the acquired land or property;

125.13 (4) paying the costs associated with remediating lands or property which are polluted
125.14 or contaminated with hazardous substances; or

125.15 (5) paying for the costs associated with improving the property for economic
125.16 development, recreational, housing, transportation or rail traffic.

125.17 Subd. 3. Matching funds. In expending funds under this section, the county shall
125.18 seek matching funds from contamination cleanup funds administered by the commissioner
125.19 of the Department of Employment and Economic Development, the Metropolitan Council,
125.20 the federal government, the private sector, and any other source.

125.21 Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by
125.22 section 17 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

125.23 Subd. 5. Land sales. Land or property acquired under this section may be resold
125.24 at fair market value. Proceeds from the sale of the land must be deposited in the
125.25 environmental response fund.

125.26 Subd. 6. DOT assistance. The commissioner of transportation shall collaborate with
125.27 the county and any affected municipality by providing technical assistance and support in
125.28 cleaning up a contaminated site related to a trunk highway or railroad improvement.

125.29 Sec. 19. CITY OF BLOOMINGTON; TIF DISTRICT EXTENSION.

125.30 Notwithstanding the provisions of Minnesota Statutes, section 469.176, or Laws
125.31 1996, chapter 464, article 1, section 8, or any other law to the contrary, the city of
125.32 Bloomington and its port authority may elect to extend the duration limits of tax increment
125.33 financing district No. 1-G, containing the former Met Center property, for a period
125.34 through December 31, 2038.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, and by the governing bodies of the county, city, and school district as required by Minnesota Statutes, section 469.1782, subdivision 2.

Sec. 20. CITY OF BROOKLYN PARK TAX INCREMENT FINANCING DISTRICT EXTENSION.

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the duration limit that applies to the economic development tax increment financing district established under Laws 1994, chapter 587, article 9, section 20, is extended to December 31, 2020.

Sec. 21. BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT FINANCING.

Subdivision 1. Definitions. (a) For the purposes of this section, the words and phrases defined have the meanings given them in this subdivision.

(b) "Project area" means the area in the city bounded on the south, southeast, and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits of the city; together with a single parcel to the east of said Interstate Highway I-35W described as the North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(c) "Soils deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use;

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvement as described in Minnesota Statutes, section 429.021, subdivision 1, clauses (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. Special rules. (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soils condition district, or soils deficiency district

127.1 established by the city of Burnsville or a development authority of the city in the project
127.2 area.

127.3 (b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3
127.4 and 4, is extended to ten years for any district.

127.5 (c) The limitations on spending tax increment outside of the district under Minnesota
127.6 Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be
127.7 expended on improvements or activities within the project area.

127.8 (d) In the case of a soil deficiency district:

127.9 (1) increments may be collected through 20 years after the receipt by the authority of
127.10 the first increment from the district; and

127.11 (2) except as otherwise provided in this subdivision, increments may be used only
127.12 to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii)
127.13 pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost
127.14 of installing public improvements directly caused by the deficiencies; and (iii) pay for the
127.15 administrative expenses of the authority allocable to the district.

127.16 (e) Increments spent for any infrastructure costs (whether inside a district or outside
127.17 a district but within the project area) are deemed to satisfy the requirements of paragraph

127.18 (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

127.19 (f) The authority to approve tax increment financing plans to establish tax increment
127.20 financing districts under this section expires December 31, 2026.

127.21 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
127.22 Statutes, section 645.021, subdivision 3.

127.23 **Sec. 22. BURNSVILLE; HEART OF THE CITY TAX INCREMENT**
127.24 **FINANCING DISTRICT.**

127.25 Notwithstanding any contrary provision of law, the five-year rule under Minnesota
127.26 Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment
127.27 derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax
127.28 increment financing District No. 6 established by the city and its economic development
127.29 authority on April 15, 2002.

127.30 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
127.31 Statutes, section 645.021, subdivision 3.

127.32 **Sec. 23. CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT**
127.33 **FINANCING DISTRICT.**

128.1 Subdivision 1. **Authorizaion.** At the election of the governing body of the city of
128.2 Detroit Lakes, upon adoption of the tax increment financing plan for the district described
128.3 in this section, the rules provided under this section apply to each such district.

128.4 Subd. 2. **Definition.** In this section, "district" means a redevelopment district
128.5 established by the city of Detroit Lakes or the Detroit Lakes Development Authority
128.6 within the following area:

128.7 Beginning at the intersection of Washington Avenue and the Burlington Northern
128.8 Santa Fe railroad then east to the intersection of Roosevelt Avenue then south to the
128.9 intersection of Highway 10/Frazee Street then west to the intersection of Frazee Street and
128.10 the alley that parallels Washington Avenue then north to the point of beginning.

128.11 More than one district may be created under this act.

128.12 Subd. 3. **Qualification as redevelopment district; special rules.** The district shall
128.13 be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All
128.14 buildings that are removed to facilitate the Highway 10 Realignment Project are deemed
128.15 to be "structurally substandard." The three-year limit after demolition of the buildings to
128.16 request tax increment financing certification provided in Minnesota Statutes, section
128.17 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

128.18 Subd. 4. **Expiration.** The authority to approve tax increment financing plans to
128.19 establish a tax increment financing redevelopment district subject to this section expires
128.20 on December 31, 2014.

128.21 Subd. 5. **Effective date.** This section is effective upon approval of the governing
128.22 body of the city of Detroit Lakes and compliance with Minnesota Statutes, section
128.23 645.021, subdivision 3.

128.24 Sec. 24. **CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX**
128.25 **INCREMENT FINANCING DISTRICTS.**

128.26 Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota
128.27 Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
128.28 are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to
128.29 469.1799, as long as they do not exceed the population limit in that section.

128.30 Subd. 2. **Local approval.** This section is effective for each of the cities of Elgin,
128.31 Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance
128.32 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

128.33 Sec. 25. **CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX**
128.34 **INCREMENT DISTRICT.**

128.35 Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

(b) "Homeless assistance tax increment district" means a contiguous area of the city that:

(1) is no larger than six acres;

(2) is located within the boundaries of a city municipal development district; and

(3) contains at least two shelters for homeless persons that have been owned or operated by nonprofit corporations that (i) are qualified charitable organizations under section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such homeless facilities within the district for at least five years, and (iii) have been recipients of emergency services grants under Minnesota Statutes, section 256E.36.

Subd. 2. Establishment of tax increment district. The city may create one homeless assistance tax increment district. To establish the homeless assistance tax increment district, the city shall adopt a homeless assistance tax increment plan and otherwise comply with the requirements of Minnesota Statutes, section 469.175, except that the determinations required in Minnesota Statutes, section 469.175, subdivision 3, paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

Subd. 3. Application of tax increment law. Minnesota Statutes, sections 469.174 to 469.179, shall apply to the administration of the district, except:

(1) as this section provides otherwise; and

(2) with respect to the portion of the increment to be expended for homeless shelter and services pursuant to subdivision 5, paragraph (b):

(i) the use for which tax increment that may be expended is as provided by subdivision 5; and

(ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

Subd. 4. Duration limitation. No tax increment generated by the district shall be paid to the city after the expiration of 25 years from the receipt by the city of the first increment from that district.

Subd. 5. Limitations on use of increment. (a) All increment received by the city from the district shall be used in accordance with the homeless assistance tax increment district plan.

(b) No less than 40 percent of the increment, after deduction of allowable administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall be used to provide emergency shelter and services for homeless persons within and outside the district.

(c) The remainder of the tax increment derived from the district shall be used for purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.

130.1 Subd. 6. Applicability of other laws. References in Minnesota Statutes to tax
130.2 increment financing districts created and tax increment generated under Minnesota
130.3 Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax
130.4 increment subject to this section.

130.5 EFFECTIVE DATE. This section is effective upon compliance by the city of
130.6 Minneapolis with Minnesota Statutes, section 645.021.

130.7 Sec. 26. CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;
130.8 EXPENDITURES OUTSIDE DISTRICT.

130.9 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision
130.10 2, the city of New Brighton may expend tax increments from District No. 26 for eligible
130.11 activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax
130.12 Increment District No. 26, but only within the area described in Laws 1998, chapter 389,
130.13 article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3,
130.14 and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures
130.15 permitted in this section.

130.16 EFFECTIVE DATE. This section is effective upon approval by the governing body
130.17 of the city of New Brighton and compliance with Minnesota Statutes, section 645.021,
130.18 subdivision 3.

130.19 Sec. 27. CITY OF RAMSEY; TAX INCREMENT FINANCING.

130.20 Subdivision 1. Authority. The governing body of the city of Ramsey or a
130.21 development authority established by the city may create a tax increment financing
130.22 district, consisting of the property defined as outlot L, Ramsey Town Center Addition and
130.23 lot 2, block 1, Ramsey Town Center Addition.

130.24 Subd. 2. Special rules. Establishment of the district is subject to the requirements
130.25 of Minnesota Statutes, sections 469.174 to 469.1799 with the following exceptions:

130.26 (1) the district is deemed to be a redevelopment district without regard to the
130.27 requirements of Minnesota Statutes, section 469.174, subdivision 10;

130.28 (2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not
130.29 apply to the district;

130.30 (3) housing receiving assistance, directly or indirectly, from the expenditures of
130.31 the district's increments must meet the requirements of Minnesota Statutes, sections
130.32 469.174, subdivision 11, and 469.1761;

130.33 (4) the district's increments must be used only to pay for costs related to the Sunwood
130.34 on Grand project, including land acquisition, public infrastructure, parking ramps, and

131.1 administrative expenses, whether paid directly to reimburse for payment of those costs or
131.2 to repay bonds or other obligations issued and sold to pay those costs initially; and
131.3 (5) general obligations bonds issued to pay for costs related to the project subject
131.4 to this section are not subject to the net debt limit of the city under Minnesota Statutes,
131.5 section 475.53, or any other law or charter provision.

131.6 **EFFECTIVE DATE.** This section is effective upon local approval by the governing
131.7 body of the city of Ramsey in compliance with the requirement of Minnesota Statutes,
131.8 section 645.021.

131.9 **Sec. 28. CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.**

131.10 Subdivision 1. Establishment of district. The city of St. Michael may establish
131.11 a redevelopment tax increment financing district subject to Minnesota Statutes, sections
131.12 469.174 to 469.179, except as provided in this section. The district must be established
131.13 within an area that includes the downtown and town center areas as designated by the city
131.14 as well as all parcels adjacent to marked Trunk Highway 241 within the city.

131.15 Subd. 2. Special rules. (a) Notwithstanding the requirements of Minnesota
131.16 Statutes, section 469.174, subdivision 10, the district may be established and operated as
131.17 a redevelopment district.

131.18 (b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176,
131.19 subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments
131.20 from the district created under this section may be used to meet the cost of land
131.21 acquisition, removal of buildings in the right-of-way acquisition area, and other costs
131.22 incurred by the city of St. Michael in the expansion and improvement of marked Trunk
131.23 Highway 241 within the city.

131.24 (c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

131.25 **EFFECTIVE DATE.** This section is effective the day after the governing body of
131.26 the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

131.27 **Sec. 29. APPROPRIATION.**

131.28 An amount equal to the proceeds of the deed tax under section 287.21, subdivision
131.29 1, paragraph (b), clause (3), on .000425 of the net consideration is appropriated from
131.30 the general fund to the commissioner of finance for transfer to the account established
131.31 by section 462A.35.

131.32 This appropriation to the housing account for leverage opportunity shall not supplant
131.33 current funding levels for housing.

131.34 **Sec. 30. REPEALER.**

132.1 Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

132.2 **Sec. 31. REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX**
132.3 **INCREMENTS.**

132.4 Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax
132.5 increments derived from tax increment financing district no. 2-1 as of the effective date
132.6 of this act must be returned to the county for distribution in accordance with Minnesota
132.7 Statutes, section 469.176, subdivision 2.

132.8 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
132.9 Statutes, section 645.021, subdivision 3.

132.10 **ARTICLE 11**

132.11 **AIDS AND CREDITS**

132.12 Section 1. Minnesota Statutes 2005 Supplement, section 477A.011, subdivision 36,
132.13 is amended to read:

132.14 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,
132.15 "city aid base" is zero.

132.16 (b) The city aid base for any city with a population less than 500 is increased by
132.17 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount
132.18 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
132.19 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

132.20 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

132.21 (ii) the city portion of the tax capacity rate exceeds 100 percent; and

132.22 (iii) its city aid base is less than \$60 per capita.

132.23 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and
132.24 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
132.25 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

132.26 (i) the city has a population in 1994 of 2,500 or more;

132.27 (ii) the city is located in a county, outside of the metropolitan area, which contains a
132.28 city of the first class;

132.29 (iii) the city's net tax capacity used in calculating its 1996 aid under section
132.30 477A.013 is less than \$400 per capita; and

132.31 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of
132.32 property located in the city is classified as railroad property.

132.33 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and
132.34 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
132.35 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- 133.1 (i) the city was incorporated as a statutory city after December 1, 1993;
- 133.2 (ii) its city aid base does not exceed \$5,600; and
- 133.3 (iii) the city had a population in 1996 of 5,000 or more.
- 133.4 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the
- 133.5 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
- 133.6 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:
- 133.7 (i) the city had a population in 1996 of at least 50,000;
- 133.8 (ii) its population had increased by at least 40 percent in the ten-year period ending
- 133.9 in 1996; and
- 133.10 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.
- 133.11 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and
- 133.12 thereafter, and the maximum amount of total aid it may receive under section 477A.013,
- 133.13 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,
- 133.14 provided that:
- 133.15 (1) the city has a population that is greater than 1,000 and less than 2,500;
- 133.16 (2) its commercial and industrial percentage for aids payable in 1999 is greater
- 133.17 than 45 percent; and
- 133.18 (3) the total market value of all commercial and industrial property in the city
- 133.19 for assessment year 1999 is at least 15 percent less than the total market value of all
- 133.20 commercial and industrial property in the city for assessment year 1998.
- 133.21 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and
- 133.22 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
- 133.23 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:
- 133.24 (1) the city had a population in 1997 of 2,500 or more;
- 133.25 (2) the net tax capacity of the city used in calculating its 1999 aid under section
- 133.26 477A.013 is less than \$650 per capita;
- 133.27 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under
- 133.28 section 477A.013 is greater than 12 percent;
- 133.29 (4) the 1999 local government aid of the city under section 477A.013 is less than
- 133.30 20 percent of the amount that the formula aid of the city would have been if the need
- 133.31 increase percentage was 100 percent; and
- 133.32 (5) the city aid base of the city used in calculating aid under section 477A.013
- 133.33 is less than \$7 per capita.
- 133.34 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and
- 133.35 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
- 133.36 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

134.1 (1) the city has a population in 1997 of 2,000 or more;

134.2 (2) the net tax capacity of the city used in calculating its 1999 aid under section
134.3 477A.013 is less than \$455 per capita;

134.4 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is
134.5 greater than \$195 per capita; and

134.6 (4) the 1999 local government aid of the city under section 477A.013 is less than
134.7 38 percent of the amount that the formula aid of the city would have been if the need
134.8 increase percentage was 100 percent.

134.9 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and
134.10 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
134.11 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

134.12 (1) the city has a population in 1998 that is greater than 200 but less than 500;

134.13 (2) the city's revenue need used in calculating aids payable in 2000 was greater
134.14 than \$200 per capita;

134.15 (3) the city net tax capacity for the city used in calculating aids available in 2000
134.16 was equal to or less than \$200 per capita;

134.17 (4) the city aid base of the city used in calculating aid under section 477A.013
134.18 is less than \$65 per capita; and

134.19 (5) the city's formula aid for aids payable in 2000 was greater than zero.

134.20 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and
134.21 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
134.22 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

134.23 (1) the city had a population in 1998 that is greater than 200 but less than 500;

134.24 (2) the city's commercial industrial percentage used in calculating aids payable in
134.25 2000 was less than ten percent;

134.26 (3) more than 25 percent of the city's population was 60 years old or older according
134.27 to the 1990 census;

134.28 (4) the city aid base of the city used in calculating aid under section 477A.013
134.29 is less than \$15 per capita; and

134.30 (5) the city's formula aid for aids payable in 2000 was greater than zero.

134.31 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by
134.32 an additional \$50,000 in calendar years 2002 to 2011, and by an additional \$89,000 in
134.33 calendar years 2007 to 2011, and the maximum amount of total aid it may receive under
134.34 section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar
134.35 year 2001 only, and by \$50,000 in calendar year 2002 only, and by an additional \$89,000
134.36 in calendar year 2007 only, provided that:

135.1 (1) the net tax capacity of the city used in calculating its 2000 aid under section
135.2 477A.013 is less than \$810 per capita;

135.3 (2) the population of the city declined more than two percent between 1988 and 1998;

135.4 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is
135.5 greater than \$240 per capita; and

135.6 (4) the city received less than \$36 per capita in aid under section 477A.013,
135.7 subdivision 9, for aids payable in 2000.

135.8 (l) The city aid base for a city with a population of 10,000 or more which is located
135.9 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
135.10 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
135.11 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
135.12 the lesser of:

135.13 (1)(i) the total population of the city, as determined by the United States Bureau of
135.14 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

135.15 (2) \$2,500,000.

135.16 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the
135.17 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
135.18 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

135.19 (1) the city is located in the seven-county metropolitan area;

135.20 (2) its population in 2000 is between 10,000 and 20,000; and

135.21 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,
135.22 was greater than 25 percent.

135.23 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
135.24 2011, and by an additional \$50,000 in calendar years 2007 to 2016, and the maximum
135.25 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c),
135.26 is also increased by \$150,000 in calendar year 2002 only, and by an additional \$50,000
135.27 in calendar year 2007 only, provided that:

135.28 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

135.29 (2) its home county is located within the seven-county metropolitan area;

135.30 (3) its pre-1940 housing percentage is less than 15 percent; and

135.31 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900
135.32 per capita.

135.33 (o) The city aid base for a city is increased by \$200,000 beginning in calendar
135.34 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
135.35 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,

provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(p) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(r) The city aid base for a city is increased by \$25,000 in 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to \$6 multiplied by its population.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2007.

Sec. 2. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

Subd. 9. City aid distribution. (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

~~(b) The aid for a city in calendar year 2004 shall not exceed the amount of its aid in calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21, article 5.~~

~~(c)~~ For aids payable in 2005 ~~and thereafter~~, and 2006, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.

137.1 ~~(d) For aids payable in 2004 only, the total aid for a city with a population less than~~
137.2 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~
137.3 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~
137.4 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount. (c) For aids payable in~~
137.5 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be
137.6 less than the amount it was certified to receive in the previous year minus five percent
137.7 of its 2003 certified aid amount.

137.8 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

137.9 Sec. 3. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is
137.10 amended to read:

137.11 Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section
137.12 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total
137.13 aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids
137.14 payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9,
137.15 is limited to \$485,052,000, plus the amount of the payments provided in section 5.

137.16 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

137.17 Sec. 4. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to
137.18 read:

137.19 Sec. 5. **2005 ~~AND 2006~~ CITY AID PAYMENTS.**

137.20

137.21 In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under
137.22 Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003
137.23 reduction in market value credit reimbursements for that city due to Laws 2003, First
137.24 Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value
137.25 credit reimbursements are reduced to less than zero under this section. To the extent
137.26 sufficient information is available on each payment date, the commissioner shall pay the
137.27 annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under
137.28 this section, to cities in equal installments on the dates specified in Minnesota Statutes,
137.29 section 273.1384.

137.30

137.31 Sec. 5. **ONETIME 2006 ADDITIONAL CITY AID.**

137.32 **Subdivision 1. Computation.** For aid payable in 2006 only, the aid payable under
137.33 Minnesota Statutes, section 477A.013, subdivision 9, is increased as follows:

137.34 (1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision
137.35 34, must be multiplied by the ratio of the annual implicit price deflator for government

138.1 consumption expenditures and gross investment for state and local governments as
138.2 prepared by the United States Department of Commerce for 2004 to the 2002 implicit
138.3 price deflator for state and local government purchases;

138.4 (2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must
138.5 not be added to the city net tax capacity under Minnesota Statutes, section 477A.013,
138.6 subdivision 8;

138.7 (3) the need increase percentage under Minnesota Statutes, section 477A.013,
138.8 subdivision 8, shall be equal to 100 percent;

138.9 (4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that
138.10 the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the
138.11 previous year plus its total aid in the previous year shall not apply; and

138.12 (5) no city shall receive less aid than it was originally certified to receive for aids
138.13 payable in 2006.

138.14 The aid payable under this section must be used by cities for debt reduction, pension
138.15 funding, capital improvements, deferred maintenance, fee reduction, or to pay costs
138.16 related to public safety.

138.17 Subd. 2. Appropriation; payment. The commissioner of revenue shall make the
138.18 payments of the additional 2006 city aid in three installments on May 1, July 20, and
138.19 December 26, 2006. An amount sufficient to pay the aid under this section is appropriated
138.20 to the commissioner of revenue from the general fund.

138.21 EFFECTIVE DATE. This section is effective for aids payable in 2006.

138.22 **Sec. 7. COUNTY TARGETED CASE MANAGEMENT AID.**

138.23 Subdivision 1. Distribution. For 2006 and 2007 only, county targeted case
138.24 management aid shall be allocated to counties based on each county's share of the state
138.25 total of children's social services and mental health services administered by the counties
138.26 under the jurisdiction of the Minnesota Department of Human Services. The aid payable
138.27 under this section must be used by counties to offset reductions in federal funding under
138.28 the Deficit Reduction Act of 2005 for targeted case management.

138.29 Subd. 2. Appropriation; payment. For aids payable in 2006, the total aid under
138.30 this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this
138.31 section is limited to \$20,000,000. The commissioner of revenue shall make the payments
138.32 of the county targeted case management aid in two installments on July 20 and December
138.33 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid
138.34 under this section is appropriated to the commissioner of revenue from the general fund.

138.35 EFFECTIVE DATE. This section is effective for aids payable in 2006 and 2007.

139.1

139.2

139.9

139.11

139.17

139.18

1.23

139.24

139.25

139.20

139.2'

140.1 shall be deposited in the state treasury and credited to the general fund for the general
140.2 support of the university.

140.3 Subd. 2. Apportionment to IRRRB. Of the moneys apportioned to the general
140.4 fund by this section, and not used for the support of elementary and secondary schools or
140.5 the university, there is annually appropriated and credited to the Iron Range Resources and
140.6 Rehabilitation Board account in the special revenue fund an amount equal to that which
140.7 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable
140.8 ton produced in the preceding calendar year, to be expended for the purposes of section
140.9 298.22. The money appropriated pursuant to this section shall be used (1) to provide
140.10 environmental development grants to local governments located within any county in
140.11 region 3 as defined in governor's executive order number 60, issued on June 12, 1970,
140.12 which does not contain a municipality qualifying pursuant to section 273.134, paragraph
140.13 (b), or (2) to provide economic development loans or grants to businesses located within
140.14 any such county, provided that the county board or an advisory group appointed by
140.15 the county board to provide recommendations on economic development shall make
140.16 recommendations to the Iron Range Resources and Rehabilitation Board regarding the
140.17 loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be
140.18 made by May 15 annually.

140.19 Of the money allocated to Koochiching County, one-third must be paid to the
140.20 Koochiching County Economic Development Commission.

140.21 Subd. 3. Apportionment to Minnesota minerals 21st century fund. The
140.22 money apportioned to the general fund by this section that is not used for the support of
140.23 elementary and secondary schools or the university, and that is not apportioned under
140.24 subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund
140.25 created in section 116J.423.

140.26 EFFECTIVE DATE. This section is effective for taxes paid in 2007 and subsequent
140.27 years.

140.28 Sec. 2. Minnesota Statutes 2005 Supplement, section 298.223, subdivision 1, is
140.29 amended to read:

140.30 Subdivision 1. **Creation; purposes.** A fund called the taconite environmental
140.31 protection fund is created for the purpose of reclaiming, restoring and enhancing those
140.32 areas of northeast Minnesota located within the taconite assistance area defined in section
140.33 273.1341, that are adversely affected by the environmentally damaging operations
140.34 involved in mining taconite and iron ore and producing iron ore concentrate and for the
140.35 purpose of promoting the economic development of northeast Minnesota. The taconite
140.36 environmental protection fund shall be used for the following purposes:

141.1 (a) to initiate investigations into matters the Iron Range Resources and Rehabilitation
141.2 Board determines are in need of study and which will determine the environmental
141.3 problems requiring remedial action;

141.4 (b) reclamation, restoration, or reforestation of minelands not otherwise provided
141.5 for by state law;

141.6 (c) local economic development projects but only if those projects are approved by
141.7 the board, and public works, including construction of sewer and water systems located
141.8 within the taconite assistance area defined in section 273.1341;

141.9 (d) monitoring of mineral industry related health problems among mining
141.10 employees; and

141.11 (e) local renewable energy investments undertaken in cooperation with local units of
141.12 government and mineland areas reforestation, reclamation, or development projects. The
141.13 projects must be approved by the Iron Range Resources and Rehabilitation Board and
141.14 located within the taconite assistance area as defined in section 273.1341. The board may
141.15 enter into joint ventures with private or public entities to advance these project.

141.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

141.17 Sec. 3. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision
141.18 to read:

141.19 **Subd. 10a. Post-2005 increases.** (a) This subdivision applies to determine
141.20 distribution of the proceeds of the tax that are attributable to increasing the rate of tax by
141.21 the percentage increase in the implicit price deflator under section 298.24, subdivision 1,
141.22 paragraph (b). It applies only to increases applicable for production year 2006 and later.
141.23 Its provisions supercede the provisions of subdivision 10 for those increases.

141.24 **(b) The proceeds are allocated as follows:**

141.25 **(1) .10 cent per taxable ton to the Range Association of Municipalities and Schools;**

141.26 **(2) an amount equal to two cents per taxable ton is allocated to the city or town in the**
141.27 **county in which the land from which the taconite was mined or quarried or within which**
141.28 **the concentrate was produced. If the mining, quarrying, and concentration, or different**
141.29 **steps in either thereof are carried on in more than one taxing district, the commissioner**
141.30 **shall apportion equitably the proceeds of the part of the tax going to cities and towns**
141.31 **among the subdivisions by attributing 50 percent of the proceeds of the tax to the operation**
141.32 **of mining or quarrying the taconite, and the remainder to the concentrating plant and to the**
141.33 **processes of concentration, and with respect to each thereof giving due consideration to the**
141.34 **relative extent of such operations performed in each taxing district. The commissioner's**
141.35 **apportionment order is subject to review by the Tax Court upon petition by any of the**
141.36 **interested taxing districts, in the same manner as other orders of the commissioner; and**

142.1 (3) the remainder of the revenue is allocated to the taconite environmental protection
142.2 fund for projects under section 298.223, subdivision 1, clause (e).

142.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

142.4 Sec. 4. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4, is
142.5 amended to read:

142.6 Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions
142.7 under section 298.28, subdivision 9b, and to make grants or loans as provided in this
142.8 subdivision. Any grant or loan made under this subdivision must be approved by
142.9 a majority of the members of the Iron Range Resources and Rehabilitation Board,
142.10 established under section 298.22.

142.11 (b) Distributions received in calendar year 2005 are allocated to the city of Virginia
142.12 for improvements and repairs to the city's steam heating system.

142.13 (c) Distributions received in calendar year 2006 are allocated to a project of the
142.14 public utilities commissions of the cities of Hibbing and Virginia to convert their electrical
142.15 generating plants to the use of biomass products, such as wood.

142.16 (d) Distributions received in calendar year 2007 must be paid to the city of Tower to
142.17 be used for the East Two Rivers project in or near the city of Tower.

142.18 (e) For distributions received in 2008 and later, ~~amounts may be allocated to joint~~
142.19 ~~ventures with mining companies for reclamation of lands containing abandoned or worked~~
142.20 ~~out mines to convert these lands to marketable properties for residential, recreational,~~
142.21 ~~commercial, or other valuable uses~~ the first \$2,000,000 must be paid to St. Louis County
142.22 for deposit in its county road and bridge fund to be used for relocation of St. Louis County
142.23 Road 715, commonly referred to as Pike River Road, and the remainder is allocated for
142.24 projects under section 298.223, subdivision 1, clause (e).

142.25 Sec. 5. Minnesota Statutes 2004, section 298.2961, is amended by adding a subdivision
142.26 to read:

142.27 Subd. 5. **Public works and local economic development fund.** For distributions in
142.28 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would
142.29 be allocated under section 298.28, subdivision 6. The following amounts are allocated
142.30 for the specific purposes:

142.31 (1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for
142.32 construction of a combined wastewater facility;

142.33 (2) six cents per ton to the city of Eveleth to redesign and design and construct
142.34 improvements to renovate its water treatment facility;

142.35 (3) one cent per ton for the East Range Joint Powers Board to acquire land for and to
142.36 design a central wastewater collection and treatment system;

- 143.1 (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;
143.2 (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;
143.3 (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;
143.4 (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and
143.5 Indiana Avenues and for repayment of the Delta Dental loan to the Minnesota Department
143.6 of Employment and Economic Development;
143.7 (8) 0.4 cents per ton to the city of Keewaten for a new city well;
143.8 (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous
143.9 materials center;
143.10 (10) 0.9 cents per ton to Aitkin County Growth for an economic development
143.11 project for peat harvesting;
143.12 (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;
143.13 (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive
143.14 plan;
143.15 (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;
143.16 (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake
143.17 Environmental Learning Center;
143.18 (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;
143.19 (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand
143.20 Rapids for planning for the North Central Research and Technology Laboratory;
143.21 (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;
143.22 (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and
143.23 (19) ten cents per ton to an economic development authority in a city through which
143.24 State Highway 1 passes, or a city in Independent School District No. 2142 that has an
143.25 active mine, for an economic development project approved by the Iron Range Resources
143.26 and Rehabilitation Board.

143.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

143.28 Sec. 6. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision
143.29 to read:

143.30 **Subd. 10. Tax may be imposed; Sylvan Township.** (a) If Cass County does not
143.31 impose a tax under this section and approves imposition of the tax under this subdivision,
143.32 the town of Sylvan in Cass County may impose the aggregate materials tax under this
143.33 section.

143.34 (b) For purposes of exercising the powers contained in this section, the "town" is
143.35 deemed to be the "county."

144.1 (c) All provisions in this section apply to the town of Sylvan, except that, in lieu
144.2 of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must
144.3 be retained by the town.

144.4 (d) If Cass County imposes an aggregate materials tax under this section, the tax
144.5 imposed by the town of Sylvan under this subdivision is repealed on the effective date
144.6 of the Cass County tax.

144.7 **EFFECTIVE DATE.** This section is effective the day after the governing body of
144.8 the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions
144.9 2 and 3.

144.10 **ARTICLE 13**

144.11 **MISCELLANEOUS**

144.12 Section 1. Minnesota Statutes 2004, section 240.06, subdivision 5a, is amended to read:

144.13 Subd. 5a. **Additional license; metropolitan area.** (a) Notwithstanding subdivision
144.14 5, the commission may issue one additional class A license within the seven-county
144.15 metropolitan area, provided that the additional license may only be issued for a facility:

144.16 (1) located more than 20 miles from any other racetrack in existence on January
144.17 1, 1987;

144.18 (2) containing a track no larger than five-eighths of a mile in circumference;

144.19 (3) ~~used exclusively for~~ at which standardbred racing is the only form of live horse
144.20 racing conducted;

144.21 (4) not owned or operated by a governmental entity or a nonprofit organization; and

144.22 (5) that has a current road or highway system adequate to facilitate present and
144.23 future vehicular traffic expeditiously to and from the facility.

144.24 The consideration of clause (5) shall prevail when two competing licensees are
144.25 relatively equal regarding other considerations mandated by law or rule.

144.26 (b) An application for an additional class A license within the seven-county
144.27 metropolitan area may not delay or adversely affect an application for a class A license for
144.28 a facility to be located outside the seven-county metropolitan area.

144.29 Sec. 2. Minnesota Statutes 2004, section 240.06, is amended by adding a subdivision
144.30 to read:

144.31 Subd. 5b. **Sharing of purse set-aside and breeders fund revenues.**

144.32 Notwithstanding subdivision 5, a class A licensed racetrack operating within the
144.33 seven-county metropolitan area may:

144.34 (1) enter into an agreement with a horsepersons' organization that represents a breed
144.35 other than the breed racing at the licensee's racetrack under which the licensee agrees to

145.1 pay a percentage of simulcasting or card club revenues to the purse set-aside account of
145.2 another class A licensed racetrack operating within the seven-county metropolitan area.
145.3 The licensee may only enter into such an agreement with a horsepersons' organization
145.4 that represents a breed other than the breed racing at the licensee's racetrack. All amounts
145.5 contributed to a class A racetrack under such an agreement must go to purses for races
145.6 run at that racetrack; and

145.7 (2) conduct simulcasting on all breeds of horses if it:

145.8 (i) enters into an agreement with another class A licensed racetrack within the
145.9 seven-county metropolitan area regarding simulcasting of any breed of horses raced at
145.10 such other class A licensed racetrack that the class A racetrack elects to simulcast; and

145.11 (ii) contributes to the purse set-aside account of another class A licensed racetrack
145.12 operating within the seven-county metropolitan area, and to the breeders fund, an amount
145.13 equal to the amount that would have been contributed to the set-aside account and the
145.14 breeders fund, as required by statute, if the simulcast had been conducted at such other
145.15 class A licensed racetrack. The percentages used to determine the amount of the simulcast
145.16 contribution to the purse set-aside account and the breeders fund will be the percentages
145.17 required under law. Contributions to the purse set-aside account shall be used by such
145.18 other class A licensed racetrack for purses for races conducted by that racetrack in the
145.19 same manner as if the simulcast had occurred at that racetrack.

145.20 Sec. 3. Minnesota Statutes 2004, section 240.13, subdivision 6, is amended to read:

145.21 Subd. 6. **Simulcasting.** (a) The commission may permit an authorized licensee to
145.22 conduct simulcasting at the licensee's facility on any day authorized by the commission.
145.23 All simulcasts must comply with the Interstate Horse Racing Act of 1978, United States
145.24 Code, title 15, sections 3001 to 3007.

145.25 (b) The commission may not authorize any day for simulcasting at a class A facility
145.26 during the racing season, and a licensee may not be allowed to transmit out-of-state
145.27 telecasts of races the licensee conducts, unless the licensee has obtained the approval of
145.28 the horsepersons' organization representing the majority of the horsepersons racing the
145.29 breed involved at the licensed racetrack during the preceding 12 months. In the case of
145.30 a class A facility licensed under section 240.06, subdivision 5a, the approval applicable
145.31 to the first year of the racetrack's operation may be obtained from the horsepersons'
145.32 organization that represents the majority of horsepersons who will race the breed involved
145.33 at the licensed racetrack during the first year of the racetrack's operation.

145.34 (c) The licensee may pay fees and costs to an entity transmitting a telecast of a
145.35 race to the licensee for purposes of conducting pari-mutuel wagering on the race. The
145.36 licensee may deduct fees and costs related to the receipt of televised transmissions from a

146.1 pari-mutuel pool on the televised race, provided that one-half of any amount recouped in
146.2 this manner must be added to the amounts required to be set aside for purses.

146.3 (d) With the approval of the commission and subject to the provisions of this
146.4 subdivision, a licensee may transmit telecasts of races it conducts, for wagering purposes,
146.5 to locations outside the state, and the commission may allow this to be done on a
146.6 commingled pool basis.

146.7 (e) Except as otherwise provided in this section, simulcasting may be conducted
146.8 on a separate pool basis or, with the approval of the commission, on a commingled pool
146.9 basis. All provisions of law governing pari-mutuel betting apply to simulcasting except
146.10 as otherwise provided in this subdivision or in the commission's rules. If pools are
146.11 commingled, wagering at the licensed facility must be on equipment electronically linked
146.12 with the equipment at the licensee's class A facility or with the sending racetrack via
146.13 the totalizator computer at the licensee's class A facility. Subject to the approval of the
146.14 commission, the types of betting, takeout, and distribution of winnings on commingled
146.15 pari-mutuel pools are those in effect at the sending racetrack. Breakage for pari-mutuel
146.16 pools on a televised race must be calculated in accordance with the law or rules governing
146.17 the sending racetrack for these pools, and must be distributed in a manner agreed to
146.18 between the licensee and the sending racetrack. Notwithstanding subdivision 7 and
146.19 section 240.15, subdivision 5, the commission may approve procedures governing the
146.20 definition and disposition of unclaimed tickets that are consistent with the law and rules
146.21 governing unclaimed tickets at the sending racetrack. For the purposes of this section,
146.22 "sending racetrack" is either the racetrack outside of this state where the horse race is
146.23 conducted or, with the consent of the racetrack, an alternative facility that serves as the
146.24 racetrack for the purpose of commingling pools.

146.25 (f) Except as otherwise provided in section 240.06, subdivision 5b, clause (2),
146.26 if there is more than one class B licensee conducting racing within the seven-county
146.27 metropolitan area, simulcasting may be conducted only on races run by a breed that ran at
146.28 the licensee's class A facility within the 12 months preceding the event.

146.29 Sec. 4. Minnesota Statutes 2004, section 240.135, is amended to read:

146.30 **240.135 CARD CLUB REVENUE.**

146.31 (a) From the amounts received from charges authorized under section 240.30,
146.32 subdivision 4, the licensee shall set aside the amounts specified in this section to be
146.33 used for purse payments. These amounts are in addition to the breeders fund and purse
146.34 requirements set forth elsewhere in this chapter.

146.35 (1) For amounts between zero and \$6,000,000, the licensee shall set aside ten
146.36 percent to be used as purses.

147.1 (2) For amounts in excess of \$6,000,000, the licensee shall set aside 14 percent to
147.2 be used as purses.

147.3 (b) From all amounts set aside under paragraph (a), the licensee shall set aside ten
147.4 percent to be deposited in the breeders fund.

147.5 (c) The licensee and the horseperson's organization representing the majority of
147.6 horsepersons who have raced at the racetrack during the preceding 12 months, or, in the
147.7 case of a racetrack licensed under section 240.06, subdivision 5a, will race at the racetrack
147.8 during the first year of the racetrack's operation, may negotiate percentages different
147.9 from those stated in this section if the agreement is in writing and filed with the Racing
147.10 Commission.

147.11 ~~(c)~~ (d) It is the intent of the legislature that the proceeds of the card playing activities
147.12 authorized by this chapter be used to improve the horse racing industry by improving
147.13 purses. The commission shall annually review the financial details of card playing
147.14 activities and determine if the present use of card playing proceeds is consistent with the
147.15 policy established by this paragraph. If the commission determines that the use of the
147.16 proceeds does not comply with the policy set forth herein, then the commission shall direct
147.17 the parties to make the changes necessary to ensure compliance. If these changes require
147.18 legislation, the commission shall make the appropriate recommendations to the legislature.

147.19 Sec. 5. Minnesota Statutes 2004, section 240.30, subdivision 5, is amended to read:

147.20 Subd. 5. **Limitation.** (a) Except as provided in paragraph (b), the commission
147.21 shall not authorize a licensee to operate a card club unless the licensee has conducted at
147.22 least 50 days of live racing at a class A facility within the past 12 months or during the
147.23 preceding calendar year.

147.24 (b) In the case of a racetrack licensed under section 240.06, subdivision 5a, during
147.25 the first 12 months of the racetrack's operation, the commission may authorize the licensee
147.26 to operate a card club when the licensee has been assigned dates by the commission for at
147.27 least 50 days of live racing during those 12 months.

147.28 Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is
147.29 amended to read:

147.30 Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically"
147.31 mean a method that is electronic, as defined in section 325L.02, paragraph (e), and
147.32 that is prescribed by the commissioner. If permitted by the commissioner, it includes a
147.33 telephone communication.

147.34 **EFFECTIVE DATE.** This section is effective July 1, 2006.

148.1 **Sec. 7. [270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT**
148.2 **WITH INTERNAL REVENUE SERVICE.**

148.3 The commissioner of revenue shall enter into an agreement with the United States
148.4 Internal Revenue Service to participate in a tax processing program whereby the Internal
148.5 Revenue Service processes electronically filed state returns together with the federal
148.6 returns. If possible, the ability of taxpayers to file property tax refund claims under chapter
148.7 290A with state income tax returns must be preserved.

148.8 Sec. 8. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is
148.9 amended to read:

148.10 Subd. 83. **International economic development zone property.** (a) Improvements
148.11 to real property, and personal property, classified under section 273.13, subdivision
148.12 24, and located within the international economic development zone designated under
148.13 section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the
148.14 improvements are:

- 148.15 (1) part of a regional distribution center as defined in section 469.321; or
148.16 (2) occupied by a qualified business as defined in section 469.321, that uses the
148.17 improvements primarily in freight forwarding operations.

148.18 (b) ~~The exemption applies beginning for the first assessment year after designation of~~
148.19 ~~the international economic development zone.~~ The exemption applies to each assessment
148.20 year that begins during the duration of the international economic development zone. To
148.21 be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the
148.22 assessment year by a qualified business that has signed the business subsidy agreement
148.23 by July 1 of the assessment year.

148.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

148.25 Sec. 9. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

148.26 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)
148.27 A person required to deduct and withhold from an employee a tax under section 290.92,
148.28 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to
148.29 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required
148.30 to withhold tax under section 290.923, subdivision 2, determined without regard to
148.31 section 290.92, subdivision 19, if the employee or payee had claimed no more than one
148.32 withholding exemption, or who paid wages or made payments not subject to withholding
148.33 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or
148.34 person receiving royalty payments in excess of \$600, or who has entered into a voluntary
148.35 withholding agreement with a payee under section 290.92, subdivision 20, must give
148.36 every employee or person receiving royalty payments in respect to the remuneration paid

149.1 by the person to the employee or person receiving royalty payments during the calendar
149.2 year, on or before January 31 of the succeeding year, or, if employment is terminated
149.3 before the close of the calendar year, within 30 days after the date of receipt of a written
149.4 request from the employee if the 30-day period ends before January 31, a written statement
149.5 showing the following:

149.6 (1) name of the person;

149.7 (2) the name of the employee or payee and the employee's or payee's Social
149.8 Security account number;

149.9 (3) the total amount of wages as that term is defined in section 290.92, subdivision
149.10 1, paragraph (1); the total amount of remuneration subject to withholding under section
149.11 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
149.12 Internal Revenue Code; and the amount of royalties subject to withholding under section
149.13 290.923, subdivision 2; and

149.14 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
149.15 2a or 3, or 290.923, subdivision 2.

149.16 (b) The statement required to be furnished by this paragraph with respect to any
149.17 remuneration must be furnished at those times, must contain the information required, and
149.18 must be in the form the commissioner prescribes.

149.19 (c) The commissioner may prescribe rules providing for reasonable extensions of
149.20 time, not in excess of 30 days, to employers or payers required to give the statements to
149.21 their employees or payees under this subdivision.

149.22 (d) A duplicate of any statement made under this subdivision and in accordance
149.23 with rules prescribed by the commissioner, along with a reconciliation in the form the
149.24 commissioner prescribes of the statements for the calendar year, including a reconciliation
149.25 of the quarterly returns required to be filed under subdivision 1, must be filed with the
149.26 commissioner on or before February 28 of the year after the payments were made.

149.27 (e) If an employer cancels the employer's Minnesota withholding account number
149.28 required by section 290.92, subdivision 24, the information required by paragraph (d),
149.29 must be filed with the commissioner within 30 days of the end of the quarter in which
149.30 the employer cancels its account number.

149.31 (f) The employer must submit the statements required to be sent to the commissioner
149.32 ~~on magnetic media, if the magnetic media was required to satisfy the federal reporting~~
149.33 ~~requirements of section 6011(c) of the Internal Revenue Code and the regulations issued~~
149.34 ~~under it~~ by electronic means.

150.1 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
150.2 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
150.3 paragraph (a), with the commissioner by electronic means.

150.4 **EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006.

150.5 Sec. 10. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 2,
150.6 is amended to read:

150.7 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed
150.8 by this section:

150.9 (1) corporations exempt from tax under section 290.05;

150.10 (2) real estate investment trusts;

150.11 (3) regulated investment companies or a fund thereof; and

150.12 (4) entities having a valid election in effect under section 860D(b) of the Internal
150.13 Revenue Code;

150.14 (5) town and farmers' mutual insurance companies;

150.15 (6) cooperatives organized under chapter 308A or 308B that provide housing
150.16 exclusively to persons age 55 and over and are classified as homesteads under section
150.17 273.124, subdivision 3;

150.18 (7) an entity, if for the taxable year all of its property is located in a job opportunity
150.19 building zone designated under section 469.314 and all of its payroll is a job opportunity
150.20 building zone payroll under section 469.310; and

150.21 (8) an entity, if for the taxable year all of its property is located in an international
150.22 economic development zone designated under section 469.322, and all of its payroll is
150.23 international economic development zone payroll under section 469.321. The exemption
150.24 under this clause applies to taxable years beginning during the duration of the international
150.25 economic development zone.

150.26 Entities not specifically exempted by this subdivision are subject to tax under this
150.27 section, notwithstanding section 290.05.

150.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

150.29 Sec. 11. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3,
150.30 is amended to read:

150.31 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales
150.32 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts
150.33 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the
150.34 total sales or receipts apportioned or attributed to Minnesota pursuant to any other
150.35 apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota, but does not include: (1) property located in a job opportunity building zone designated under section 469.314, or (2) property of a qualified business located in a biotechnology and health sciences industry zone designated under section 469.334, or (3) for taxable years beginning during the duration of the zone, property of a qualified business located in the international economic development zone designated under section 469.322. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include: (1) job opportunity building zone payrolls under section 469.310, subdivision 8, or (2) biotechnology and health sciences industry zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning during the duration of the zone, international economic development zone payrolls under section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

Subd. 4a. Credit for research. (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider may claim an annual credit against the total amount of tax, if any, the hospital or health care provider owes for that calendar year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues for patient services used to fund expenditures for qualifying research conducted by an allowable research program. The amount of the credit shall not exceed the tax liability of the hospital or health care provider under sections 295.50 to 295.57.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research conducted by an entity which is exempt under section 501(c)(3)

152.1 of the Internal Revenue Code of 1986 or is owned and operated under authority of a
152.2 governmental unit;

152.3 (3) qualifying research must:

152.4 (A) be approved in writing by the governing body of the hospital or health care
152.5 provider which is taking the deduction under this subdivision;

152.6 (B) have as its purpose the development of new knowledge in basic or applied
152.7 science relating to the diagnosis and treatment of conditions affecting the human body;

152.8 (C) be subject to review by individuals with expertise in the subject matter of the
152.9 proposed study but who have no financial interest in the proposed study and are not
152.10 involved in the conduct of the proposed study; and

152.11 (D) be subject to review and supervision by an institutional review board operating
152.12 in conformity with federal regulations if the research involves human subjects or
152.13 an institutional animal care and use committee operating in conformity with federal
152.14 regulations if the research involves animal subjects. Research expenses are not exempt if
152.15 the study is a routine evaluation of health care methods or products used in a particular
152.16 setting conducted for the purpose of making a management decision. Costs of clinical
152.17 research activities paid directly for the benefit of an individual patient are excluded from
152.18 this exemption. Basic research in fields including biochemistry, molecular biology, and
152.19 physiology are also included if such programs are subject to a peer review process.

152.20 (c) No credit shall be allowed under this subdivision for any revenue received by the
152.21 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a
152.22 government or nongovernment source, on which the tax liability under section 295.52 is
152.23 not imposed.

152.24 (d) The taxpayer shall apply for the credit under this section on the annual return
152.25 under section 295.55, subdivision 5.

152.26 (e) Beginning September 1, 2001, if the actual or estimated amount paid under this
152.27 section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance
152.28 shall determine the rate of the research credit for the following calendar year to the nearest
152.29 one-half percent so that refunds paid under this section will most closely equal ~~\$2,500,000~~
152.30 \$7,000,000. The commissioner of finance shall publish in the State Register by October 1
152.31 of each year the rate of the credit for the following calendar year. A determination under
152.32 this section is not subject to the rulemaking provisions of chapter 14.

152.33 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
152.34 December 31, 2006.

152.35 Sec. 13. Minnesota Statutes 2004, section 296A.18, subdivision 4, is amended to read:

153.1 Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline
153.2 received in or produced or brought into this state, except gasoline used for aviation
153.3 purposes, is being used for the operation of all-terrain vehicles in this state, and of the total
153.4 revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is
153.5 the amount of tax on fuel used in all-terrain vehicles operated in this state.

153.6 Sec. 14. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41,
153.7 is amended to read:

153.8 Subd. 41. **International economic development zones.** (a) Purchases of tangible
153.9 personal property or taxable services by a qualified business, as defined in section 469.321,
153.10 are exempt if the property or services are primarily used or consumed in the international
153.11 economic development zone designated under section 469.322.

153.12 (b) Purchase and use of construction materials, supplies, and equipment incorporated
153.13 into the construction of improvements to real property in the international economic
153.14 development zone are exempt if the improvements after completion of construction are
153.15 to be used as a regional distribution center as defined in section 469.321 or otherwise
153.16 used in the conduct of freight forwarding activities of a qualified business as defined in
153.17 section 469.321. This exemption applies regardless of whether the purchases are made
153.18 by the business or a contractor.

153.19 (c) The exemptions under this subdivision apply to a local sales and use tax,
153.20 regardless of whether the local tax is imposed on sales taxable under this chapter or in
153.21 another law, ordinance, or charter provision.

153.22 (d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales
153.23 ~~during the duration of the zone and after June 30, 2007, if the purchase was made and~~
153.24 ~~delivery received after the business signs the business subsidy agreement required under~~
153.25 ~~chapter 469 and purchases made after the date of final zone designation under section~~
153.26 469.322, paragraph (c), and before the expiration of the zone under section 469.322,
153.27 paragraph (d).

153.28 (e) For purchases made for improvements to real property to be occupied by a
153.29 business that has not signed a business subsidy agreement at the time of the purchase, the
153.30 tax must be imposed and collected as if the rate under section 297A.62, subdivision 1,
153.31 applied, and then refunded in the manner provided in section 297A.75 ~~beginning in fiscal~~
153.32 ~~year 2008.~~ The taxpayer must attach to the claim for refund information sufficient for
153.33 the commissioner to be able to determine that the improvements are being occupied by
153.34 a business that has signed a business subsidy agreement.

153.35 **EFFECTIVE DATE.** This section is effective the day following final enactment.

154.1 Sec. 15. [297F.012] FIRE SAFETY ACCOUNT.

154.2 Subdivision 1. Authorized programs within department. From the revenues
154.3 appropriated under subdivision 2, the commissioner of public safety shall expend funds
154.4 for the activities and programs identified by the advisory committee established under
154.5 subdivision 2 and recommended to the commissioner of public safety. These funds are to
154.6 be used to provide resources needed for identified activities and programs of the Minnesota
154.7 fire service and to ensure the State Fire Marshal Division responsibilities are fulfilled.

154.8 Subd. 2. Fire service advisory committee. The Fire Service Advisory Committee
154.9 shall provide recommendations to the commissioner of public safety on fire service related
154.10 issues and shall consist of representatives of each of the following organizations: two
154.11 appointed by the president of the Minnesota State Fire Chiefs Association, two appointed
154.12 by the president of the Minnesota State Fire Department Association, two appointed by
154.13 the president of the Minnesota Professional Fire Fighters, two appointed by the president
154.14 of the League of Minnesota Cities, one appointed by the president of the Minnesota
154.15 Association of Townships, one appointed by the president of the Insurance Federation
154.16 of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the
154.17 International Association of Arson Investigators and the Fire Marshals Association of
154.18 Minnesota, and the commissioner of public safety or the commissioner's designee. The
154.19 commissioner of public safety must ensure that at least three of the members of the
154.20 advisory committee work and reside in counties outside of the seven-county metropolitan
154.21 area. The committee shall provide funding recommendations to the commissioner of
154.22 public safety from the fire safety fund for the following purposes:

- 154.23 (1) for the Minnesota Board of Firefighter Training and Education;
154.24 (2) for programs and staffing for the State Fire Marshal Division; and
154.25 (3) for fire-related regional response team programs and any other fire service
154.26 programs that have the potential for statewide impact.

154.27 Subd. 3. Report; accounting; carryover. The commissioner of public safety shall,
154.28 by December 1 of each year, (1) provide an accounting of how the funds in the fire safety
154.29 account were spent in the preceding fiscal year and (2) report any funds not spent in a
154.30 fiscal year to the chairs of the committees of the house of representatives and the senate
154.31 having jurisdiction over public safety finance. Money in the account does not cancel but
154.32 remains available for expenditures for the programs identified in subdivisions 1 and 2.

154.33 EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies
154.34 written or renewed on or after that date.

154.35 Sec. 16. [297L.06] FIRE SAFETY ACCOUNT.

155.1 Subdivision 1. Insurance policies surcharge. (a) Except as otherwise provided
155.2 in subdivision 2, each insurer engaged in writing policies of homeowners insurance
155.3 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies
155.4 shall collect a surcharge equal to .75 percent of the gross premiums and assessments, less
155.5 return premiums, on direct business received by the company, or by its agents for it, for
155.6 homeowner's insurance policies and commercial fire insurance policies in this state. The
155.7 definitions under section 297I.01 apply for purposes of this section.

155.8 (b) The surcharge amount collected under paragraph (a) may not be considered
155.9 premium for any purpose, including the computation of premium tax or agents'
155.10 commissions. The surcharge amount must be separately stated on either a billing or policy
155.11 declaration sent to an insured. Insurers shall remit the revenue derived from this section
155.12 at least quarterly to the Department of Revenue for deposit in the fire safety account
155.13 established pursuant to subdivision 2.

155.14 Subd. 2. Exemptions. (a) This section does not apply to a farmers' mutual fire
155.15 insurance company or township mutual fire insurance company in Minnesota organized
155.16 under chapter 67A.

155.17 (b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to
155.18 transact business in Minnesota shall elect to remit to the Department of Revenue for
155.19 deposit in the fire safety account either (1) the surcharge amount collected under this
155.20 section or (2) a tax of one-half of one percent on the gross fire premiums and assessments,
155.21 less return premiums, on all direct business received by the insurer during the year.

155.22 (c) For purposes of this subdivision, "gross fire premiums and assessments" includes
155.23 premiums on policies covering fire risks only on automobiles, whether written under
155.24 floater form or otherwise.

155.25 Subd. 3. Fire safety account, annual transfers, allocation. A special account, to
155.26 be known as the fire safety account, is created in the state treasury. The account consists of
155.27 the proceeds under subdivision 1. \$250,000 of the revenue in the account each year is
155.28 appropriated to the Department of Revenue to offset the cost of collecting and transferring
155.29 the funds. Revenue in excess of \$250,000 is appropriated to the Department of Public
155.30 Safety and must be used for the activities and programs identified by the commissioner of
155.31 the Department of Public Safety as essential fire service programs within Minnesota.

155.32 EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies
155.33 written or renewed on or after that date.

155.34 Sec. 17. Minnesota Statutes 2004, section 297I.30, is amended by adding a subdivision
155.35 to read:

Subd. 8. Fire insurance surcharge. On or before May 15, August 15, November 15, and February 15 of each year, every insurer required to pay the surcharge under section 297I.06, subdivision 1, shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, setting forth any information the commissioner reasonably requires on forms prescribed by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2007, and applies to policies written or renewed on or after that date.

Sec. 18. [469.193] FOREIGN TRADE ZONES.

A city, county, town, or other political subdivision may apply to the board defined in United States Code, title 19, section 81a, for the right to use the powers provided in United States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or other political subdivision may use the powers within or outside of a port district. Any city, county, town, or other political subdivision may apply jointly with any other city, county, town, or other political subdivision.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

469.322 DESIGNATION OF INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.

(a) An area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if within the zone a regional distribution center is being developed pursuant to section 469.323. The zone must consist of contiguous area of not less than 500 acres and not more than 1,000 acres. The designation authority under this section is limited to one zone.

(b) In making the designation, the foreign trade zone authority, in consultation with the Minnesota Department of Transportation and the Metropolitan Council, shall consider access to major transportation routes, consistency with current state transportation and air cargo planning, adequacy of the size of the site, access to airport facilities, present and future capacity at the designated airport, the capability to meet integrated present and future air cargo, security, and inspection services, and access to other infrastructure and financial incentives. The border of the international economic development zone must be no more than 60 miles distant or 90 minutes drive time from the border of the Minneapolis-St. Paul International Airport.

(c) Final zone designation must be made by June 30, ~~2006~~ 2008.

(d) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

157.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

157.2 Sec. 20. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is
3 amended to read:

157.4 Subd. 2. **Business plan.** Before designation of an international economic
157.5 development zone under section 469.322, the governing body of the foreign trade zone
157.6 authority shall prepare a business plan. The findings of the business plan shall be
157.7 presented to the legislature pursuant to section 3.195. Copies of the business plan shall be
157.8 provided to the chairs of committees with jurisdiction over transportation and economic
157.9 development. The plan must include an analysis of the economic feasibility of the regional
157.10 distribution center once it becomes operational and of the operations of freight forwarders
157.11 and other businesses that choose to locate within the boundaries of the zone. The analysis
157.12 must provide profitability models that:

- 13 (1) include the benefits of the incentives;
157.14 (2) estimate the amount of time needed to achieve profitability; and
157.15 (3) analyze the length of time incentives will be necessary to the economic viability
157.16 of the regional distribution center.

157.17 If the governing body of the foreign trade authority determines that the models do
157.18 not establish the economic feasibility of the project, the regional distribution center does
157.19 not meet the development requirements of this section and section 469.322.

157.20 Sec. 21. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

157.21 **469.327 JOBS CREDIT.**

157.22 Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against
157.23 the taxes imposed under chapter 290. The credit equals seven percent of the:

- 157.24 (1) lesser of:
157.25 (i) zone payroll for the taxable year, less the zone payroll for the base year; or
157.26 (ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for
157.27 the base year; minus
157.28 (2) \$30,000 multiplied by the number of full-time equivalent employees that the
157.29 qualified business employs in the international economic development zone for the taxable
157.30 year, minus the number of full-time equivalent employees the business employed in the
157.31 zone in the base year, but not less than zero.

157.32 (b) This section applies only to tax years beginning during the duration of the
157.33 international economic development zone.

157.34 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have
157.35 the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year immediately preceding the calendar year in which the zone designation was made duration of the zone begins under section 469.322, paragraph (d).

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$70,000.

Subd. 3. Inflation adjustment. For taxable years beginning after December 31, 2006 2010, the dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. Refundable. If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. Appropriation. An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 22. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended to read:

Sec. 23. GRANTS TO QUALIFYING BUSINESSES.

\$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international economic development zone. If the money is not distributed during fiscal year 2006, it remains available for distribution under this section during fiscal year 2007 until December 31, 2010.

Sec. 23. PROPERTY TAX REFUND COLLECTION ACTION PROHIBITED; REFUNDS REQUIRED.

Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other law to the contrary, the commissioner of revenue shall not disallow any part of a claim

159.1 for a property tax refund filed in 2005 or an earlier year to the extent that the claim
159.2 was excessive because it did not include in the claimant's income as determined under
159.3 Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount
159.4 provided by a postsecondary education institution. If a claimant was required to repay
159.5 any part of a property tax refund based on inclusion of this discount in the claimant's
159.6 income on a claim filed in 2005 or an earlier year, the commissioner must refund that
159.7 amount to the claimant.

159.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

159.9 **Sec. 24. JOINT STUDY BY COMMISSIONERS OF REVENUE AND**
159.10 **DEPARTMENT OF EMPLOYEE RELATIONS.**

159.11 In order to increase compliance with income and franchise taxes and tax laws, the
159.12 commissioners of the Departments of Revenue and Employee Relations, in consultation
159.13 with the affected bargaining units, shall study the competitiveness of compensation of
159.14 tax compliance auditors within the Department of Revenue. The study shall consider
159.15 the performance of compliance auditors, including training, experience, employment
159.16 classification, and duties. The study shall be completed by October 15, 2006, and the
159.17 commissioner of employee relations shall implement its recommendations.

159.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

159.19 **Sec. 25. SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**
159.20 **ENGLISH PROFICIENCY.**

159.21 The commissioner of revenue shall study and implement procedures and services
159.22 that will assist sales and use taxpayers of limited English proficiency in complying with
159.23 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,
159.24 and instructions into Spanish and other languages must be considered. In addition, the
159.25 commissioner shall study how to direct taxpayers of limited English proficiency who
159.26 contact the Department of Revenue by telephone for assistance in Spanish and other
159.27 languages as determined by the commissioner. The commissioner shall report on the
159.28 results of the study and a plan to implement them to the senate and house of representatives
159.29 committees with jurisdiction over tax laws by February 1, 2007.

159.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

159.31 **Sec. 26. TRANSFER OF MONEY.**

159.32 Any money in the tax relief account under Minnesota Statutes, section 16A.1522,
159.33 subdivision 4, on the day following final enactment of this act is transferred to the general
159.34 fund.

160.1 Sec. 27. **REPEALER.**

160.2 Minnesota Statutes 2004, section 297I.05, subdivision 6, is repealed.

160.3 **EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to policies

160.4 written or renewed on or after that date."

160.5 Amend the title accordingly

160.6 And when so amended the bill do pass. Amendments adopted. Report adopted.

160.7

160.8


.....
(Committee Chair)

160.9

160.10

April 11, 2006
(Date of Committee recommendation)