

Agenda #1

1 ARTICLE ..

2 INCOME TAX

3 Section 1. Minnesota Statutes 2004, section 289A.39,
4 subdivision 1, is amended to read:

5 Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The
6 limitations of time provided by this chapter, chapter 290
7 relating to income taxes, chapter 271 relating to the Tax Court
8 for filing returns, paying taxes, claiming refunds, commencing
9 action thereon, appealing to the Tax Court from orders relating
10 to income taxes, and the filing of petitions under chapter 278
11 that would otherwise be due ~~May-15,-1996~~ May 1, 2004, and
12 appealing to the Supreme Court from decisions of the Tax Court
13 relating to income taxes are extended, as provided in section
14 7508 of the Internal Revenue Code.

15 (b) If a member of the National Guard or reserves is called
16 to active duty in the armed forces, the limitations of time
17 provided by this chapter and chapters 290 and 290A relating to
18 income taxes and claims for property tax refunds are extended by
19 the following period of time:

20 (1) in the case of an individual whose active service is in
21 the United States, six months; or

22 (2) in the case of an individual whose active service
23 includes service abroad, the period of initial service plus six
24 months.

1 Nothing in this paragraph reduces the time within which an
2 act is required or permitted under paragraph (a).

3 (c) If an individual entitled to the benefit of paragraph
4 (a) files a return during the period disregarded under paragraph
5 (a), interest must be paid on an overpayment or refundable
6 credit from the due date of the return, notwithstanding section
7 289A.56, subdivision 2.

8 (d) The provisions of this subdivision apply to the spouse
9 of an individual entitled to the benefits of this subdivision
10 with respect to a joint return filed by the spouses.

11 [EFFECTIVE DATE.] This section is effective for taxable
12 years beginning after December 31, 2002, and for property taxes
13 payable after 2003.

14 Sec. 2. Minnesota Statutes 2004, section 290.01,
15 subdivision 7, is amended to read:

16 Subd. 7. [RESIDENT.] (a) The term "resident" means any
17 individual domiciled in Minnesota, except that an individual is
18 not a "resident" for the period of time that the individual is
19 either:

20 ~~{1} on active duty stationed outside of Minnesota while in~~
21 ~~the armed forces of the United States or the United Nations; or~~

22 {2} a "qualified individual" as defined in section
23 911(d)(1) of the Internal Revenue Code, if the qualified
24 individual notifies the county within three months of moving out
25 of the country that homestead status be revoked for the
26 Minnesota residence of the qualified individual, and the
27 property is not classified as a homestead while the individual
28 remains a qualified individual.

29 (b) "Resident" also means any individual domiciled outside
30 the state who maintains a place of abode in the state and spends
31 in the aggregate more than one-half of the tax year in
32 Minnesota, unless:

33 (1) the individual or the spouse of the individual is in
34 the armed forces of the United States; or

35 (2) the individual is covered under the reciprocity
36 provisions in section 290.081.

1 For purposes of this subdivision, presence within the state
2 for any part of a calendar day constitutes a day spent in the
3 state. Individuals shall keep adequate records to substantiate
4 the days spent outside the state.

5 The term "abode" means a dwelling maintained by an
6 individual, whether or not owned by the individual and whether
7 or not occupied by the individual, and includes a dwelling place
8 owned or leased by the individual's spouse.

9 (c) Neither the commissioner nor any court shall consider
10 charitable contributions made by an individual within or without
11 the state in determining if the individual is domiciled in
12 Minnesota.

13 [EFFECTIVE DATE.] This section is effective for taxable
14 years beginning after December 31, 2004.

15 Sec. 3. Minnesota Statutes 2004, section 290.01,
16 subdivision 19a, is amended to read:

17 Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For
18 individuals, estates, and trusts, there shall be added to
19 federal taxable income:

20 (1)(i) interest income on obligations of any state other
21 than Minnesota or a political or governmental subdivision,
22 municipality, or governmental agency or instrumentality of any
23 state other than Minnesota exempt from federal income taxes
24 under the Internal Revenue Code or any other federal statute;
25 and

26 (ii) exempt-interest dividends as defined in section
27 852(b)(5) of the Internal Revenue Code, except the portion of
28 the exempt-interest dividends derived from interest income on
29 obligations of the state of Minnesota or its political or
30 governmental subdivisions, municipalities, governmental agencies
31 or instrumentalities, but only if the portion of the
32 exempt-interest dividends from such Minnesota sources paid to
33 all shareholders represents 95 percent or more of the
34 exempt-interest dividends that are paid by the regulated
35 investment company as defined in section 851(a) of the Internal
36 Revenue Code, or the fund of the regulated investment company as

1 defined in section 851(g) of the Internal Revenue Code, making
2 the payment; and

3 (iii) for the purposes of items (i) and (ii), interest on
4 obligations of an Indian tribal government described in section
5 7871(c) of the Internal Revenue Code shall be treated as
6 interest income on obligations of the state in which the tribe
7 is located;

8 (2) the amount of income taxes paid or accrued within the
9 taxable year under this chapter and income taxes paid to any
10 other state or to any province or territory of Canada, to the
11 extent allowed as a deduction under section 63(d) of the
12 Internal Revenue Code, but the addition may not be more than the
13 amount by which the itemized deductions as allowed under section
14 63(d) of the Internal Revenue Code exceeds the amount of the
15 standard deduction as defined in section 63(c) of the Internal
16 Revenue Code. For the purpose of this paragraph, the
17 disallowance of itemized deductions under section 68 of the
18 Internal Revenue Code of 1986, income tax is the last itemized
19 deduction disallowed;

20 (3) the capital gain amount of a lump sum distribution to
21 which the special tax under section 1122(h)(3)(B)(ii) of the Tax
22 Reform Act of 1986, Public Law 99-514, applies;

23 (4) the amount of income taxes paid or accrued within the
24 taxable year under this chapter and income taxes paid to any
25 other state or any province or territory of Canada, to the
26 extent allowed as a deduction in determining federal adjusted
27 gross income. For the purpose of this paragraph, income taxes
28 do not include the taxes imposed by sections 290.0922,
29 subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

30 (5) the amount of expense, interest, or taxes disallowed
31 pursuant to section 290.10;

32 (6) the amount of a partner's pro rata share of net income
33 which does not flow through to the partner because the
34 partnership elected to pay the tax on the income under section
35 6242(a)(2) of the Internal Revenue Code; and

36 (7) 80 percent of the depreciation deduction allowed under

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

13 (8) the amount of expenses disallowed under section 290.10,
14 subdivision 2.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2004.

17 Sec. 4. Minnesota Statutes 2004, section 290.01,
18 subdivision 19b, is amended to read:

19 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
20 individuals, estates, and trusts, there shall be subtracted from
21 federal taxable income:

22 (1) interest income on obligations of any authority,
23 commission, or instrumentality of the United States to the
24 extent includable in taxable income for federal income tax
25 purposes but exempt from state income tax under the laws of the
26 United States;

27 (2) if included in federal taxable income, the amount of
28 any overpayment of income tax to Minnesota or to any other
29 state, for any previous taxable year, whether the amount is
30 received as a refund or as a credit to another taxable year's
31 income tax liability;

32 (3) the amount paid to others, less the amount used to
33 claim the credit allowed under section 290.0674, not to exceed
34 \$1,625 for each qualifying child in grades kindergarten to 6 and
35 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
36 textbooks, and transportation of each qualifying child in

1 attending an elementary or secondary school situated in
2 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
3 wherein a resident of this state may legally fulfill the state's
4 compulsory attendance laws, which is not operated for profit,
5 and which adheres to the provisions of the Civil Rights Act of
6 1964 and chapter 363A. For the purposes of this clause,
7 "tuition" includes fees or tuition as defined in section
8 290.0674, subdivision 1, clause (1). As used in this clause,
9 "textbooks" includes books and other instructional materials and
10 equipment purchased or leased for use in elementary and
11 secondary schools in teaching only those subjects legally and
12 commonly taught in public elementary and secondary schools in
13 this state. Equipment expenses qualifying for deduction
14 includes expenses as defined and limited in section 290.0674,
15 subdivision 1, clause (3). "Textbooks" does not include
16 instructional books and materials used in the teaching of
17 religious tenets, doctrines, or worship, the purpose of which is
18 to instill such tenets, doctrines, or worship, nor does it
19 include books or materials for, or transportation to,
20 extracurricular activities including sporting events, musical or
21 dramatic events, speech activities, driver's education, or
22 similar programs. For purposes of the subtraction provided by
23 this clause, "qualifying child" has the meaning given in section
24 32(c)(3) of the Internal Revenue Code;

25 (4) income as provided under section 290.0802;

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

29 (6) to the extent included in federal taxable income,
30 postservice benefits for youth community service under section
31 124D.42 for volunteer service under United States Code, title
32 42, sections 12601 to 12604;

33 (7) to the extent not deducted in determining federal
34 taxable income by an individual who does not itemize deductions
35 for federal income tax purposes for the taxable year, an amount
36 equal to 50 percent of the excess of charitable contributions

1 allowable as a deduction for the taxable year under section
2 170(a) of the Internal Revenue Code over \$500;

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

8 (9) for individuals who are allowed a federal foreign tax
9 credit for taxes that do not qualify for a credit under section
10 290.06, subdivision 22, an amount equal to the carryover of
11 subnational foreign taxes for the taxable year, but not to
12 exceed the total subnational foreign taxes reported in claiming
13 the foreign tax credit. For purposes of this clause, "federal
14 foreign tax credit" means the credit allowed under section 27 of
15 the Internal Revenue Code, and "carryover of subnational foreign
16 taxes" equals the carryover allowed under section 904(c) of the
17 Internal Revenue Code minus national level foreign taxes to the
18 extent they exceed the federal foreign tax credit;

19 (10) in each of the five tax years immediately following
20 the tax year in which an addition is required under subdivision
21 19a, clause (7), an amount equal to one-fifth of the delayed
22 depreciation. For purposes of this clause, "delayed
23 depreciation" means the amount of the addition made by the
24 taxpayer under subdivision 19a, clause (7), minus the positive
25 value of any net operating loss under section 172 of the
26 Internal Revenue Code generated for the tax year of the
27 addition. The resulting delayed depreciation cannot be less
28 than zero; and

29 (11) job opportunity building zone income as provided under
30 section 469.316;

31 (12) to the extent included in federal taxable income, an
32 amount, not to exceed \$10,000, equal to an individual's
33 unreimbursed expenses for travel, lodging, and lost wages net of
34 sick pay related to the individual's donation of one or more of
35 the individual's organs to another person for human organ
36 transplantation. For purposes of determining the extent to

1 which expenses are included in federal taxable income, expenses
2 qualifying under this paragraph are the first expenses
3 considered in determining the medical expense deduction allowed
4 under section 213 of the Internal Revenue Code. For purposes of
5 this clause, "organ" means all or part of an individual's liver,
6 pancreas, kidney, intestine, lung, or bone marrow, and "human
7 organ transplantation" means the medical procedure by which
8 transfer of a human organ is made from the body of one person to
9 the body of another person. An individual may claim the
10 subtraction in this clause for each instance of organ donation
11 for transplantation, during the taxable year in which the
12 expenses or lost wages occur;

13 (13) the amount of compensation paid to members of the
14 Minnesota National Guard or other reserve components of the
15 United States military for active service performed in
16 Minnesota, excluding compensation for services performed under
17 the Active Guard Reserve (AGR) program. For purposes of this
18 clause, "active service" means (i) state active service as
19 defined in section 190.05, subdivision 5a, clause (1); (ii)
20 federally funded state active service as defined in section
21 190.05, subdivision 5b; or (iii) federal active service as
22 defined in section 190.05, subdivision 5c, but "active service"
23 excludes services performed exclusively for purposes of basic
24 combat training, advanced individual training, annual training,
25 and periodic inactive duty training; special training
26 periodically made available to reserve members; and service
27 performed in accordance with section 190.08, subdivision 3; and

28 (14) the amount of compensation paid to members of the
29 armed forces of the United States or United Nations for active
30 duty performed outside Minnesota.

31 [EFFECTIVE DATE.] This section is effective for taxable
32 years beginning after December 31, 2004.

33 Sec. 5. Minnesota Statutes 2004, section 290.01,
34 subdivision 19c, is amended to read:

35 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE
36 INCOME.] For corporations, there shall be added to federal

1 taxable income:

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

9 (2) interest not subject to federal tax upon obligations
10 of: the United States, its possessions, its agencies, or its
11 instrumentalities; the state of Minnesota or any other state,
12 any of its political or governmental subdivisions, any of its
13 municipalities, or any of its governmental agencies or
14 instrumentalities; the District of Columbia; or Indian tribal
15 governments;

16 (3) exempt-interest dividends received as defined in
17 section 352(b)(5) of the Internal Revenue Code;

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

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

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

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

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

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

36 (10) for certified pollution control facilities placed in

1 service in a taxable year beginning before December 31, 1986,
2 and for which amortization deductions were elected under section
3 169 of the Internal Revenue Code of 1954, as amended through
4 December 31, 1985, the amount of the amortization deduction
5 allowed in computing federal taxable income for those
6 facilities;

7 (11) the amount of any deemed dividend from a foreign
8 operating corporation determined pursuant to section 290.17,
9 subdivision 4, paragraph (g);

10 (12) the amount of any environmental tax paid under section
11 59(a) of the Internal Revenue Code;

12 (13) the amount of a partner's pro rata share of net income
13 which does not flow through to the partner because the
14 partnership elected to pay the tax on the income under section
15 6242(a)(2) of the Internal Revenue Code;

16 (14) the amount of net income excluded under section 114 of
17 the Internal Revenue Code;

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

22 (16) 80 percent of the depreciation deduction allowed under
23 section 168(k) of the Internal Revenue Code. For purposes of
24 this clause, if the taxpayer has an activity that in the taxable
25 year generates a deduction for depreciation under section 168(k)
26 and the activity generates a loss for the taxable year that the
27 taxpayer is not allowed to claim for the taxable year, "the
28 depreciation allowed under section 168(k)" for the taxable year
29 is limited to excess of the depreciation claimed by the activity
30 under section 168(k) over the amount of the loss from the
31 activity that is not allowed in the taxable year. In succeeding
32 taxable years when the losses not allowed in the taxable year
33 are allowed, the depreciation under section 168(k) is allowed;
34 and

35 (17) the amount of expenses disallowed under section
36 290.10, subdivision 2.

1 **[EFFECTIVE DATE.]** This section is effective for taxable
2 years beginning after December 31, 2004.

3 Sec. 6. Minnesota Statutes 2004, section 290.05,
4 subdivision 1, is amended to read:

5 Subdivision 1. **[EXEMPT ENTITIES.]** The following
6 corporations, individuals, estates, trusts, and organizations
7 shall be exempted from taxation under this chapter, provided
8 that every such person or corporation claiming exemption under
9 this chapter, in whole or in part, must establish to the
10 satisfaction of the commissioner the taxable status of any
11 income or activity:

12 (a) corporations, individuals, estates, and trusts engaged
13 in the business of mining or producing iron ore and other ores
14 the mining or production of which is subject to the occupation
15 tax imposed by section 298.01; but if any such corporation,
16 individual, estate, or trust engages in any other business or
17 activity or has income from any property not used in such
18 business it shall be subject to this tax computed on the net
19 income from such property or such other business or activity.
20 Royalty shall not be considered as income from the business of
21 mining or producing iron ore within the meaning of this section;

22 (b) the United States of America, the state of Minnesota or
23 any political subdivision of either agencies or
24 instrumentalities, whether engaged in the discharge of
25 governmental or proprietary functions; and

26 (c) any insurance company; and

27 (d) a corporation engaged in the business of operating a
28 personal rapid transit system, as defined in section 297A.61,
29 subdivision 37, in this state, independent of any government
30 subsidies, but if the corporation engages in any other business
31 or activity or has income from any property not used in the
32 business of operating a personal rapid transit system, it is
33 subject to this tax computed on the net income from the property
34 or business or activity.

35 **[EFFECTIVE DATE.]** This section is effective for taxable
36 years beginning after December 31, 2008.

1 Sec. 7. Minnesota Statutes 2004, section 290.06,
2 subdivision 2c, is amended to read:

3 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
4 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
5 married individuals filing joint returns and surviving spouses
6 as defined in section 2(a) of the Internal Revenue Code must be
7 computed by applying to their taxable net income the following
8 schedule of rates:

9 (1) On the first \$25,680, 5.35 percent;

10 (2) On all over \$25,680, but not over \$102,030, 7.05
11 percent;

12 (3) On all over \$102,030, ~~7.85~~ 8.0 percent.

13 Married individuals filing separate returns, estates, and
14 trusts must compute their income tax by applying the above rates
15 to their taxable income, except that the income brackets will be
16 one-half of the above amounts.

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

20 (1) On the first \$17,570, 5.35 percent;

21 (2) On all over \$17,570, but not over \$57,710, 7.05
22 percent;

23 (3) On all over \$57,710, ~~7.85~~ 8.0 percent.

24 (c) The income taxes imposed by this chapter upon unmarried
25 individuals qualifying as a head of household as defined in
26 section 2(b) of the Internal Revenue Code must be computed by
27 applying to taxable net income the following schedule of rates:

28 (1) On the first \$21,630, 5.35 percent;

29 (2) On all over \$21,630, but not over \$86,910, 7.05
30 percent;

31 (3) On all over \$86,910, ~~7.85~~ 8.0 percent.

32 (d) In lieu of a tax computed according to the rates set
33 forth in this subdivision, the tax of any individual taxpayer
34 whose taxable net income for the taxable year is less than an
35 amount determined by the commissioner must be computed in
36 accordance with tables prepared and issued by the commissioner

1 of revenue based on income brackets of not more than \$100. The
 2 amount of tax for each bracket shall be computed at the rates
 3 set forth in this subdivision, provided that the commissioner
 4 may disregard a fractional part of a dollar unless it amounts to
 5 50 cents or more, in which case it may be increased to \$1.

6 (e) An individual who is not a Minnesota resident for the
 7 entire year must compute the individual's Minnesota income tax
 8 as provided in this subdivision. After the application of the
 9 nonrefundable credits provided in this chapter, the tax
 10 liability must then be multiplied by a fraction in which:

11 (1) the numerator is the individual's Minnesota source
 12 federal adjusted gross income as defined in section 62 of the
 13 Internal Revenue Code and increased by the additions required
 14 under section 290.01, subdivision 19a, clauses (1), (5), and
 15 (6), and reduced by the subtraction under section 290.01,
 16 subdivision 19b, clause (11), and the Minnesota assignable
 17 portion of the subtraction for United States government interest
 18 under section 290.01, subdivision 19b, clause (1), after
 19 applying the allocation and assignability provisions of section
 20 290.081, clause (a), or 290.17; and

21 (2) the denominator is the individual's federal adjusted
 22 gross income as defined in section 62 of the Internal Revenue
 23 Code of 1986, increased by the amounts specified in section
 24 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
 25 by the amounts specified in section 290.01, subdivision 19b,
 26 clauses (1) and (11).

27 [EFFECTIVE DATE.] This section is effective only if
 28 sections ¹²16 and ¹³17 of this article are enacted for taxable years
 29 beginning after December 31, ²⁰⁰⁴2005.

30 Sec. 8. Minnesota Statutes 2004, section 290.06,
 31 subdivision 28, is amended to read:

32 Subd. 28. [~~CREBIT~~ REFUNDS FOR TRANSIT PASSES.] ~~A-taxpayer~~
 33 (a) An employer may take-a-credit-against-the-tax-due-under-this
 34 chapter claim a refund equal to 30 percent of the expense
 35 incurred by the taxpayer employer to provide transit passes, for
 36 use in Minnesota, to employees of the taxpayer.

1 (b) As used in this subdivision, the following terms have
2 the meanings given:

3 (1) "employer" means an individual or entity subject to tax
4 under this chapter or an entity that is exempt from taxation
5 under section 290.05, but excluding entities enumerated in
6 section 290.05, subdivision 1, paragraph (b); and

7 (2) "transit pass" has the meaning given in section
8 132(f)(5)(A) of the Internal Revenue Code.

9 (c) If the taxpayer employer purchases the transit passes
10 from the transit system operator, and resells them to the
11 employees, the credit refund is based on the amount of the
12 difference between the price paid for the passes by the employer
13 and the amount charged to employees.

14 (d) The commissioner shall prescribe the forms for and the
15 manner in which the refund may be claimed. The commissioner
16 must provide for paying refunds at least quarterly. The
17 commissioner may set a minimum amount of qualifying expenses
18 that must be incurred before a refund may be claimed.

19 (e) An amount sufficient to pay the refunds required by
20 this subdivision is appropriated to the commissioner of revenue.

21 [EFFECTIVE DATE.] This section is effective for transit
22 passes purchased after December 31, 2005.

23 Sec. 9. Minnesota Statutes 2004, section 290.06, is
24 amended by adding a subdivision to read:

25 Subd. 33. [CARSHARING CREDIT.] (a) For purposes of this
26 subdivision, a "carsharing organization" means an organization
27 that:

28 (1) is described in section 501(c) of the Internal Revenue
29 Code;

30 (2) is comprised of members who purchase the use of a motor
31 vehicle from the organization;

32 (3) owns or leases a fleet of motor vehicles that are
33 available to members of the organization to pay for the use of a
34 vehicle on an hourly or per trip basis; and

35 (4) does not assign exclusive rights of use of specific
36 vehicles to individual members or allow individual members to

1 keep a vehicle in the member's sole possession.

2 (b) A taxpayer may take a credit against the tax due under
3 this chapter for the expenses incurred by the taxpayer to
4 purchase a membership and pay monthly dues to a carsharing
5 organization or to provide memberships and pay monthly dues to a
6 carsharing organization for employees of the taxpayer. The
7 amount of the credit is equal to the lesser of the actual cost
8 of the membership fee and the monthly dues, or \$390. If an
9 employer purchases the membership or pays the monthly dues to
10 the nonprofit carsharing organization and resells the membership
11 to its employees or charges the monthly dues to its employees,
12 the credit allowed to the employer is the amount of the
13 difference between the amount paid by the employer and the
14 amount charged to the employee.

15 (c) A taxpayer who owns a parking facility that charges
16 customers an amount to park vehicles at the facility and
17 provides dedicated parking space at no charge to a nonprofit
18 carsharing organization to park the motor vehicles that are used
19 by the members of the organization on an hourly or per-trip
20 basis, may take a credit against the tax due under this chapter
21 for the value of the dedicated parking space provided to the
22 nonprofit carsharing organization. The value of the dedicated
23 parking space is equal to the lowest amount charged to customers
24 who pay to park at the facility calculated on an hourly, daily,
25 or other long-term rate that results in the lowest total cost.

26 [EFFECTIVE DATE.] This section is effective for taxable
27 years beginning after December 31, 2005.

28 Sec. 10. Minnesota Statutes 2004, section 290.0674,
29 subdivision 2, is amended to read:

30 Subd. 2. [LIMITATIONS.] (a) For claimants with income not
31 greater than \$33,500, the maximum credit allowed is \$1,000 per
32 multiplied by the number of claimant's qualifying child-and
33 \$2,000-per-family children in grades kindergarten through grade
34 12. No credit is allowed for education-related expenses for
35 claimants with income greater than \$37,500. The maximum credit
36 per child claimant is reduced by \$1 for each \$4 of household

1 income over \$33,500, ~~and the maximum credit per family is~~
2 ~~reduced by \$2 for each \$4 of household income over \$33,500,~~ but
3 in no case is the credit less than zero.

4 For purposes of this section "income" has the meaning given
5 in section 290.067, subdivision 2a. In the case of a married
6 claimant, a credit is not allowed unless a joint income tax
7 return is filed.

8 (b) For a nonresident or part-year resident, the credit
9 determined under subdivision 1 and the maximum credit amount in
10 paragraph (a) must be allocated using the percentage calculated
11 in section 290.06, subdivision 2c, paragraph (e).

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

14 Sec. 11. [290.0676] [CREDIT FOR HISTORIC STRUCTURE
15 REHABILITATION.]

16 Subdivision 1. [DEFINITIONS.] (a) As used in this section,
17 the terms defined in this subdivision have the meanings given.

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

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

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

35 Subd. 2. [CREDIT ALLOWED.] A taxpayer who incurs costs for
36 the rehabilitation of eligible property may take a credit

1 against the tax imposed under this chapter in an amount equal to
2 ten percent of the total costs of rehabilitation. Costs of
3 rehabilitation include, but are not limited to, qualified
4 rehabilitation expenditures as defined under section 47(c)(2)(A)
5 of the Internal Revenue Code, provided that the costs of
6 rehabilitation must exceed 50 percent of the total basis in the
7 property at the time the rehabilitation activity begins and the
8 rehabilitation must meet standards consistent with the standards
9 of the Secretary of the Interior for rehabilitation as
10 determined by the State Historic Preservation Office of the
11 Minnesota Historical Society.

12 Subd. 3. [PARTNERSHIPS; MULTIPLE OWNERS; TRANSFERS.] (a)
13 Credits granted to a partnership, a limited liability company
14 taxed as a partnership, or multiple owners of property shall be
15 passed through to the partners, members, or owners,
16 respectively, pro rata or pursuant to an executed agreement
17 among the partners, members, or owners documenting an alternate
18 distribution method.

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

28 Subd. 4. [PROCESS.] To claim the credit, the taxpayer must
29 apply to the State Historic Preservation Office of the Minnesota
30 Historical Society before a historic rehabilitation project
31 begins. The State Historic Preservation Office shall determine
32 the amount of eligible rehabilitation costs and whether the
33 rehabilitation meets the standards of the United States
34 Department of the Interior. The State Historic Preservation
35 Office shall issue certificates verifying eligibility for and
36 the amount of credit. The taxpayer shall attach the certificate

1 to any income tax return on which the credit is claimed. The
2 State Historic Preservation Office of the Minnesota Historical
3 Society may collect fees for applications for the historic
4 preservation tax credit. Fees shall be set at an amount that
5 does not exceed the costs of administering the tax credit
6 program.

7 Subd. 5. [MORTGAGE CERTIFICATES; CREDIT FOR LENDING
8 INSTITUTIONS.] (a) The taxpayer may elect, in lieu of the credit
9 otherwise allowed under this section, to receive a historic
10 rehabilitation mortgage credit certificate.

11 (b) For purposes of this subdivision, a historic
12 rehabilitation mortgage credit is a certificate that is issued
13 to the taxpayer according to procedures prescribed by the State
14 Historic Preservation Office with respect to the certified
15 rehabilitation and which meets the requirements of this
16 paragraph. The face amount of the certificate must be equal to
17 the credit that would be allowable under subdivision 2 to the
18 taxpayer with respect to the rehabilitation. The certificate
19 may only be transferred by the taxpayer to a lending
20 institution, including a nondepository home mortgage lending
21 institution, in connection with a loan:

22 (1) that is secured by the building with respect to which
23 the credit is issued; and

24 (2) the proceeds of which may not be used for any purpose
25 other than the acquisition or rehabilitation of the building.

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

33 (1) the principal amount of the loan;

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

35 (3) the taxpayer's cost of purchasing the building, but

36 only in the case of a qualified historic home that is located in

1 a poverty-impacted area as designated by the State Historic
2 Preservation Office.

3 The lending institution may take as a credit against the
4 tax due under this chapter an amount equal to the amount
5 specified in the certificate. If the amount of the discount
6 retained by the lender exceeds the amount by which the lending
7 institution's federal income tax liability is increased due to
8 the use of a mortgage credit certificate, the excess shall be
9 refunded to the borrower with interest at the rate prescribed by
10 the State Historic Preservation Office. The lending institution
11 may carry forward all unused credits under this subdivision
12 until exhausted. Nothing in this subdivision requires a lending
13 institution to accept a historic rehabilitation certificate from
14 any person.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2004.

17 Sec. 12. Minnesota Statutes 2004, section 290.091,
18 subdivision 2, is amended to read:

19 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
20 this section, the following terms have the meanings given:

21 (a) "Alternative minimum taxable income" means the sum of
22 the following for the taxable year:

23 (1) the taxpayer's federal alternative minimum taxable
24 income as defined in section 55(b)(2) of the Internal Revenue
25 Code;

26 (2) the taxpayer's itemized deductions allowed in computing
27 federal alternative minimum taxable income, but excluding:

28 (i) the charitable contribution deduction under section 170
29 of the Internal Revenue Code ~~to the extent that the deduction~~
30 ~~exceeds 1.0 percent of adjusted gross income, as defined in~~
31 ~~section 62 of the Internal Revenue Code;~~

32 (ii) the medical expense deduction;

33 (iii) the casualty, theft, and disaster loss deduction; and

34 (iv) the impairment-related work expenses of a disabled
35 person; and

36 (v) the amount of the exemption allowed the taxpayer under

1 section 151(c) of the Internal Revenue Code;

2 (3) for depletion allowances computed under section 613A(c)
3 of the Internal Revenue Code, with respect to each property (as
4 defined in section 614 of the Internal Revenue Code), to the
5 extent not included in federal alternative minimum taxable
6 income, the excess of the deduction for depletion allowable
7 under section 611 of the Internal Revenue Code for the taxable
8 year over the adjusted basis of the property at the end of the
9 taxable year (determined without regard to the depletion
10 deduction for the taxable year);

11 (4) to the extent not included in federal alternative
12 minimum taxable income, the amount of the tax preference for
13 intangible drilling cost under section 57(a)(2) of the Internal
14 Revenue Code determined without regard to subparagraph (E);

15 (5) to the extent not included in federal alternative
16 minimum taxable income, the amount of interest income as
17 provided by section 290.01, subdivision 19a, clause (1); and

18 (6) the amount of addition required by section 290.01,
19 subdivision 19a, clause (7);

20 less the sum of the amounts determined under the following:

21 (1) interest income as defined in section 290.01,
22 subdivision 19b, clause (1);

23 (2) an overpayment of state income tax as provided by
24 section 290.01, subdivision 19b, clause (2), to the extent
25 included in federal alternative minimum taxable income;

26 (3) the amount of investment interest paid or accrued
27 within the taxable year on indebtedness to the extent that the
28 amount does not exceed net investment income, as defined in
29 section 163(d)(4) of the Internal Revenue Code. Interest does
30 not include amounts deducted in computing federal adjusted gross
31 income; and

32 (4) amounts subtracted from federal taxable income as
33 provided by section 290.01, subdivision 19b, clauses (10) and
34 ~~(11)~~ to (12).

35 In the case of an estate or trust, alternative minimum
36 taxable income must be computed as provided in section 59(c) of

1 the Internal Revenue Code.

2 (b) "Investment interest" means investment interest as
3 defined in section 163(d)(3) of the Internal Revenue Code.

4 (c) "Tentative minimum tax" equals 6.4 percent of
5 alternative minimum taxable income after subtracting the
6 exemption amount determined under subdivision 3.

7 (d) "Regular tax" means the tax that would be imposed under
8 this chapter (without regard to this section and section
9 290.032), reduced by the sum of the nonrefundable credits
10 allowed under this chapter.

11 (e) "Net minimum tax" means the minimum tax imposed by this
12 section.

13 [EFFECTIVE DATE.] This section is effective only if
14 sections 11 and 17 of this article are enacted for taxable years
15 beginning after December 31, 2005. ¹⁵ ~~2004~~

16 Sec. 13. Minnesota Statutes 2004, section 290.091,
17 subdivision 3, is amended to read:

18 Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing
19 the alternative minimum tax, the exemption amount is the
20 ~~exemption-determined-under-section-55(d)-of-the-Internal-Revenue~~
21 ~~Code-as-amended-through-December-31,-1992,-except-that~~
22 ~~alternative-minimum-taxable-income-as-determined-under-this~~
23 ~~section-must-be-substituted-in-the-computation-of-the-phase-out~~
24 ~~under-section-55(d)(3) \$66,300 for married individuals filing~~
25 ~~joint returns; and \$33,150 for married individuals filing~~
26 ~~separate returns, single individuals, and head of household~~
27 ~~filers.~~

28 (b) The exemption amount determined under this subdivision
29 is reduced by an amount equal to 25 percent of the amount by
30 which the alternative minimum income exceeds \$248,600 for
31 married individuals filing joint returns; and \$124,300 for
32 married individuals filing separate returns, single individuals,
33 and head of household filers.

34 (c) For taxable years beginning after December 31, 2006,
35 the exemption amounts under paragraph (a), and the income
36 amounts in paragraph (b), must be adjusted for inflation. The

1 commissioner shall make the inflation adjustments in accordance
2 with section 1(f) of the Internal Revenue Code except that for
3 the purposes of this subdivision the percentage increase must be
4 determined from the year starting September 1, 2005, and ending
5 August 31, 2006, as the base year for adjusting for inflation
6 for the tax year beginning after December 31, 2006. The
7 determination of the commissioner under this subdivision is not
8 a rule under the Administrative Procedure Act.

9 [EFFECTIVE DATE.] This section is effective only if
10 sections ¹11 and ¹⁵16 of this article are enacted for taxable years
11 beginning after December 31, ²⁰⁰⁴2005.

12 Sec. 14. Minnesota Statutes 2004, section 290.10, is
13 amended to read:

14 290.10 [NONDEDUCTIBLE ITEMS.]

15 Subdivision 1. [EXPENSES, INTEREST, AND TAXES.] Except as
16 provided in section 290.17, subdivision 4, paragraph (i), in
17 computing the net income of a taxpayer no deduction shall in any
18 case be allowed for expenses, interest and taxes connected with
19 or allocable against the production or receipt of all income not
20 included in the measure of the tax imposed by this chapter,
21 except that for corporations engaged in the business of mining
22 or producing iron ore, the mining of which is subject to the
23 occupation tax imposed by section 298.01, subdivision 4, this
24 shall not prevent the deduction of expenses and other items to
25 the extent that the expenses and other items are allowable under
26 this chapter and are not deductible, capitalizable, retainable
27 in basis, or taken into account by allowance or otherwise in
28 computing the occupation tax and do not exceed the amounts taken
29 for federal income tax purposes for that year. Occupation taxes
30 imposed under chapter 298, royalty taxes imposed under chapter
31 299, or depletion expenses may not be deducted under this clause.

32 Subd. 2. [FINES, PENALTIES, DAMAGES, AND EXPENSES.] (a) No
33 deduction from taxable income for a trade or business expense
34 under section 162(a) of the Internal Revenue Code shall be
35 allowed for any fine, penalty, damages, or expenses paid to:

36 (1) the government of the United States, a state, a

1 territory or possession of the United States, the District of
2 Columbia, or the Commonwealth of Puerto Rico;

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

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

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

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

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

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

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

18 or

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

24 [EFFECTIVE DATE.] This section is effective for taxable
25 years beginning after December 31, 2004.

26 Sec. 15. [290.433] [GLOBAL WAR ON TERRORISM CHECKOFF.]

27 Every individual who files an income tax return or property
28 tax refund claim, and every corporation that files an income tax
29 return, may designate on their return that \$1 or more shall be
30 added to the tax or deducted from the refund that would
31 otherwise be payable by or to that individual or corporation and
32 paid into an account to be established for the purpose of paying
33 bonuses to residents of this state who are veterans of the
34 global war on terrorism. The commissioner shall, on the income
35 tax returns and the property tax refund claim form, notify
36 filers of their right to designate that a portion of their tax

1 or refund shall be paid into the account for veterans of the
2 global war on terrorism. The amounts designated under this
3 section shall be annually appropriated to the commissioner of
4 the Department of Veterans Affairs to pay bonuses to veterans of
5 the global war on terrorism as determined by law. All interest
6 earned on money accrued shall be credited to the account by the
7 commissioner of finance.

8 [EFFECTIVE DATE.] This section is effective for taxable
9 years beginning after December 31, 2004, and for property tax
10 refund claims for property taxes payable after December 31, 2004.

11 Sec. 16. Minnesota Statutes 2004, section 290.92,
12 subdivision 4b, is amended to read:

13 Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership
14 shall deduct and withhold a tax as provided in paragraph (b) for
15 nonresident individual partners based on their distributive
16 shares of partnership income for a taxable year of the
17 partnership.

18 (b) The amount of tax withheld is determined by multiplying
19 the partner's distributive share allocable to Minnesota under
20 section 290.17, paid or credited during the taxable year by the
21 highest rate used to determine the income tax liability for an
22 individual under section 290.06, subdivision 2c, except that the
23 amount of tax withheld may be determined by the commissioner if
24 the partner submits a withholding exemption certificate under
25 subdivision 5.

26 (c) The commissioner may reduce or abate the tax withheld
27 under this subdivision if the partnership had reasonable cause
28 to believe that no tax was due under this section.

29 (d) Notwithstanding paragraph (a), a partnership is not
30 required to deduct and withhold tax for a nonresident partner if:

31 (1) the partner elects to have the tax due paid as part of
32 the partnership's composite return under section 289A.08,
33 subdivision 7;

34 (2) the partner has Minnesota assignable federal adjusted
35 gross income from the partnership of less than \$1,000; or

36 (3) the partnership is liquidated or terminated, the income

1 was generated by a transaction related to the termination or
2 liquidation, and no cash or other property was distributed in
3 the current or prior taxable year; ~~or~~

4 (4) the distributive shares of partnership income are
5 attributable to:

6 (i) income required to be recognized because of discharge
7 of indebtedness;

8 (ii) income recognized because of a sale, exchange, or
9 other disposition of real estate, depreciable property, or
10 property described in section 179 of the Internal Revenue Code;
11 or

12 (iii) income recognized on the sale, exchange, or other
13 disposition of any property that has been the subject of a basis
14 reduction pursuant to section 108, 734, 743, 754, or 1017 of the
15 Internal Revenue Code

16 to the extent that the income does not include cash received or
17 receivable or, if there is cash received or receivable, to the
18 extent that the cash is required to be used to pay indebtedness
19 by the partnership or a secured debt on partnership property; or

20 (5) the partnership is a publicly traded partnership, as
21 defined in section 7704(b) of the Internal Revenue Code.

22 (e) For purposes of subdivision 6a, and sections 289A.09,
23 subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50,
24 289A.56, 289A.60, and 289A.63, a partnership is considered an
25 employer.

26 (f) To the extent that income is exempt from withholding
27 under paragraph (d), clause (4), the commissioner has a lien in
28 an amount up to the amount that would be required to be withheld
29 with respect to the income of the partner attributable to the
30 partnership interest, but for the application of paragraph (d),
31 clause (4). The lien arises under section 270.69 from the date
32 of assessment of the tax against the partner, and attaches to
33 that partner's share of the profits and any other money due or
34 to become due to that partner in respect of the partnership.
35 Notice of the lien may be sent by mail to the partnership,
36 without the necessity for recording the lien. The notice has

1 the force and effect of a levy under section 270.70, and is
2 enforceable against the partnership in the manner provided by
3 that section. Upon payment in full of the liability subsequent
4 to the notice of lien, the partnership must be notified that the
5 lien has been satisfied.

6 [EFFECTIVE DATE.] This section is effective for taxable
7 years beginning after December 31, 2004.

8 Sec. 17. [DETERMINATION OF ECONOMIC IMPACT.]

9 The Minnesota Historical Society shall annually determine
10 the economic impact to the state from the rehabilitation of
11 eligible property for which credits are provided under section 1
12 and report on the impact to the committees on taxes of the
13 senate and house of representatives.

14 Sec. 18. [STUDY; CORPORATE FRANCHISE TAX.]

15 The commissioners of the Departments of Finance and Revenue
16 shall conduct a comprehensive study to identify the reasons for
17 the decline in corporate tax receipts. The study shall include
18 an analysis of the current and future effect of existing
19 corporate tax provisions, both independently and interactively
20 with other provisions; how tax provisions are changing business
21 practices; and the impact of outsourcing or relocation of
22 business operations and jobs. On or before February 1, 2006,
23 the commissioners shall report to the chairpersons of the house
24 and senate tax committees the results of the study and shall
25 include recommendations for changes to the tax laws that would
26 reduce tax incentives for businesses to outsource or relocate
27 business operations or jobs.

1 ARTICLE ..

2 SALES TAX

3 Section 1. Minnesota Statutes 2004, section 289A.11,
4 subdivision 1, is amended to read:

5 Subdivision 1. [RETURN REQUIRED.] Except as provided in
6 section 289A.18, ~~subdivision~~ subdivisions 4 and 4a, for the
7 month in which taxes imposed by chapter 297A are payable, or for
8 which a return is due, a return for the preceding reporting
9 period must be filed with the commissioner in the form and
10 manner the commissioner prescribes. A person making sales at
11 retail at two or more places of business may file a consolidated
12 return subject to rules prescribed by the commissioner. In
13 computing the dollar amount of items on the return, the amounts
14 are rounded off to the nearest whole dollar, disregarding
15 amounts less than 50 cents and increasing amounts of 50 cents to
16 99 cents to the next highest dollar.

17 ~~Notwithstanding this subdivision, a person who is not~~
18 ~~required to hold a sales tax permit under chapter 297A and who~~
19 ~~makes annual purchases of less than \$18,500 that are subject to~~
20 ~~the use tax imposed by section 297A.63, may file an annual use~~
21 ~~tax return on a form prescribed by the commissioner. If a~~
22 ~~person who qualifies for an annual use tax reporting period is~~
23 ~~required to obtain a sales tax permit or makes use tax purchases~~
24 ~~in excess of \$18,500 during the calendar year, the reporting~~

1 ~~period-must-be-considered-ended-at-the-end-of-the-month-in-which~~
2 ~~the-permit-is-applied-for-or-the-purchase-in-excess-of-\$18,500~~
3 ~~is-made-and-a-return-must-be-filed-for-the-preceding-reporting~~
4 ~~period.~~

5 [EFFECTIVE DATE.] This section is effective for purchases
6 made on and after July 1, 2005.

7 Sec. 2. Minnesota Statutes 2004, section 289A.18,
8 subdivision 4, is amended to read:

9 Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use
10 tax returns must be filed on or before the 20th day of the month
11 following the close of the preceding reporting period,
12 ~~except that-annual-use-tax~~ returns provided for under section
13 ~~289A.11, subdivision 1, must be filed by April 15 following the~~
14 ~~close-of-the-calendar-year~~ subdivision 4a, in the case of
15 individuals. Annual use tax returns of businesses, including
16 sole proprietorships, and annual sales tax returns must be filed
17 by February 5 following the close of the calendar year.

18 (b) Returns for the June reporting period filed by
19 retailers required to remit their June liability under section
20 289A.20, subdivision 4, paragraph (b), are due on or before
21 August 20.

22 (c) If a retailer has an average sales and use tax
23 liability, including local sales and use taxes administered by
24 the commissioner, equal to or less than \$500 per month in any
25 quarter of a calendar year, and has substantially complied with
26 the tax laws during the preceding four calendar quarters, the
27 retailer may request authorization to file and pay the taxes
28 quarterly in subsequent calendar quarters. The authorization
29 remains in effect during the period in which the retailer's
30 quarterly returns reflect sales and use tax liabilities of less
31 than \$1,500 and there is continued compliance with state tax
32 laws.

33 (d) If a retailer has an average sales and use tax
34 liability, including local sales and use taxes administered by
35 the commissioner, equal to or less than \$100 per month during a
36 calendar year, and has substantially complied with the tax laws

1 during that period, the retailer may request authorization to
2 file and pay the taxes annually in subsequent years. The
3 authorization remains in effect during the period in which the
4 retailer's annual returns reflect sales and use tax liabilities
5 of less than \$1,200 and there is continued compliance with state
6 tax laws.

7 (e) The commissioner may also grant quarterly or annual
8 filing and payment authorizations to retailers if the
9 commissioner concludes that the retailers' future tax
10 liabilities will be less than the monthly totals identified in
11 paragraphs (c) and (d). An authorization granted under this
12 paragraph is subject to the same conditions as an authorization
13 granted under paragraphs (c) and (d).

14 (f) A taxpayer who is a materials supplier may report gross
15 receipts either on:

- 16 (1) the cash basis as the consideration is received; or
17 (2) the accrual basis as sales are made.

18 As used in this paragraph, "materials supplier" means a person
19 who provides materials for the improvement of real property; who
20 is primarily engaged in the sale of lumber and building
21 materials-related products to owners, contractors,
22 subcontractors, repairers, or consumers; who is authorized to
23 file a mechanics lien upon real property and improvements under
24 chapter 514; and who files with the commissioner an election to
25 file sales and use tax returns on the basis of this paragraph.

26 (g) Notwithstanding paragraphs (a) to (f), a seller that is
27 not a Model 1, 2, or 3 seller, as those terms are used in the
28 Streamlined Sales and Use Tax Agreement, that does not have a
29 legal requirement to register in Minnesota, and that is
30 registered under the agreement, must file a return by February 5
31 following the close of the calendar year in which the seller
32 initially registers, and must file subsequent returns on
33 February 5 on an annual basis in succeeding years.

34 Additionally, a return must be submitted on or before the 20th
35 day of the month following any month by which sellers have
36 accumulated state and local tax funds for the state in the

1 amount of \$1,000 or more.

2 [EFFECTIVE DATE.] This section is effective for purchases
3 on and after July 1, 2005.

4 Sec. 3. Minnesota Statutes 2004, section 289A.18, is
5 amended by adding a subdivision to read:

6 Subd. 4a. [USE TAX RETURNS FOR INDIVIDUALS.] Individuals
7 who are subject to the use tax imposed under section 297A.63 may
8 file and pay use tax owed on purchases for personal use under
9 their Social Security number as follows:

10 (1) on the individual income tax return for the calendar
11 year in which the purchases are made;

12 (2) on the form for making payments of the individual
13 income tax estimated payments under section 289A.25 for the
14 calendar quarter in which the purchases are made; or

15 (3) on the individual use tax return, in the form
16 prescribed by the commissioner, for purchases made in a calendar
17 quarter, to be filed on or before the 20th day of the month
18 following the close of the preceding quarter.

19 [EFFECTIVE DATE.] This section is effective for purchases
20 made on and after July 1, 2005, and for income tax returns
21 required to be filed for tax years beginning after December 31,
22 2004.

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

25 Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid
26 transit system" means a transportation system of small,
27 computer-controlled vehicles, transporting one to three
28 passengers on elevated guideways in a transportation network
29 operating on demand and nonstop directly to any stations in the
30 network. The system shall provide service on a regular and
31 continuing basis and operate independent of any government
32 subsidies.

33 [EFFECTIVE DATE.] This section is effective for sales and
34 purchases made after June 30, 2008.

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

1 Subd. 32. [GEOTHERMAL EQUIPMENT.] The loop field
2 collection system and the heat pump of a geothermal heating and
3 cooling system is exempt.

4 [EFFECTIVE DATE.] This section is effective for sales and
5 purchases occurring after June 30, 2005.

6 Sec. 6. Minnesota Statutes 2004, section 297A.67, is
7 amended by adding a subdivision to read:

8 Subd. 33. [BIOMASS FUEL STOVES.] Stoves designed to burn
9 fuel pellets made from biomass materials are exempt.

10 [EFFECTIVE DATE.] This section is effective for sales and
11 purchases made after June 30, 2005.

12 Sec. 7. Minnesota Statutes 2004, section 297A.68,
13 subdivision 5, is amended to read:

14 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
15 exempt. The tax must be imposed and collected as if the rate
16 under section 297A.62, subdivision 1, applied, and then refunded
17 in the manner provided in section 297A.75.

18 "Capital equipment" means machinery and equipment purchased
19 or leased, and used in this state by the purchaser or lessee
20 primarily for manufacturing, fabricating, mining, or refining
21 tangible personal property to be sold ultimately at retail if
22 the machinery and equipment are essential to the integrated
23 production process of manufacturing, fabricating, mining, or
24 refining. Capital equipment also includes machinery and
25 equipment used to electronically transmit results retrieved by a
26 customer of an on-line computerized data retrieval system.

27 (b) Capital equipment includes, but is not limited to:

28 (1) machinery and equipment used to operate, control, or
29 regulate the production equipment;

30 (2) machinery and equipment used for research and
31 development, design, quality control, and testing activities;

32 (3) environmental control devices that are used to maintain
33 conditions such as temperature, humidity, light, or air pressure
34 when those conditions are essential to and are part of the
35 production process;

36 (4) materials and supplies used to construct and install

1 machinery or equipment;

2 (5) repair and replacement parts, including accessories,
3 whether purchased as spare parts, repair parts, or as upgrades
4 or modifications to machinery or equipment;

5 (6) materials used for foundations that support machinery
6 or equipment;

7 (7) materials used to construct and install special purpose
8 buildings used in the production process;

9 (8) ready-mixed concrete equipment in which the ready-mixed
10 concrete is mixed as part of the delivery process regardless if
11 mounted on a chassis and leases of ready-mixed concrete trucks;
12 and

13 (9) machinery or equipment used for research, development,
14 design, or production of computer software.

15 (c) Capital equipment does not include the following:

16 (1) motor vehicles taxed under chapter 297B;

17 (2) machinery or equipment used to receive or store raw
18 materials;

19 (3) building materials, except for materials included in
20 paragraph (b), clauses (6) and (7);

21 (4) machinery or equipment used for nonproduction purposes,
22 including, but not limited to, the following: plant security,
23 fire prevention, first aid, and hospital stations; support
24 operations or administration; pollution control; and plant
25 cleaning, disposal of scrap and waste, plant communications,
26 space heating, cooling, lighting, or safety;

27 (5) farm machinery and aquaculture production equipment as
28 defined by section 297A.61, subdivisions 12 and 13;

29 (6) machinery or equipment purchased and installed by a
30 contractor as part of an improvement to real property; or

31 (7) any other item that is not essential to the integrated
32 process of manufacturing, fabricating, mining, or refining.

33 (d) For purposes of this subdivision:

34 (1) "Equipment" means independent devices or tools separate
35 from machinery but essential to an integrated production
36 process, including computers and computer software, used in

1 operating, controlling, or regulating machinery and equipment;
2 and any subunit or assembly comprising a component of any
3 machinery or accessory or attachment parts of machinery, such as
4 tools, dies, jigs, patterns, and molds.

5 (2) "Fabricating" means to make, build, create, produce, or
6 assemble components or property to work in a new or different
7 manner.

8 (3) "Integrated production process" means a process or
9 series of operations through which tangible personal property is
10 manufactured, fabricated, mined, or refined. For purposes of
11 this clause, (i) manufacturing begins with the removal of raw
12 materials from inventory and ends when the last process prior to
13 loading for shipment has been completed; (ii) fabricating begins
14 with the removal from storage or inventory of the property to be
15 assembled, processed, altered, or modified and ends with the
16 creation or production of the new or changed product; (iii)
17 mining begins with the removal of overburden from the site of
18 the ores, minerals, stone, peat deposit, or surface materials
19 and ends when the last process before stockpiling is completed;
20 and (iv) refining begins with the removal from inventory or
21 storage of a natural resource and ends with the conversion of
22 the item to its completed form.

23 (4) "Machinery" means mechanical, electronic, or electrical
24 devices, including computers and computer software, that are
25 purchased or constructed to be used for the activities set forth
26 in paragraph (a), beginning with the removal of raw materials
27 from inventory through completion of the product, including
28 packaging of the product.

29 (5) "Machinery and equipment used for pollution control"
30 means machinery and equipment used solely to eliminate, prevent,
31 or reduce pollution resulting from an activity described in
32 paragraph (a).

33 (6) "Manufacturing" means an operation or series of
34 operations where raw materials are changed in form, composition,
35 or condition by machinery and equipment and which results in the
36 production of a new article of tangible personal property. For

1 purposes of this subdivision, "manufacturing" includes the
2 generation of electricity or steam to be sold at retail.

3 (7) "Mining" means the extraction of minerals, ores, stone,
4 or peat.

5 (8) "On-line data retrieval system" means a system whose
6 cumulation of information is equally available and accessible to
7 all its customers.

8 (9) "Primarily" means machinery and equipment used 50
9 percent or more of the time in an activity described in
10 paragraph (a).

11 (10) "Refining" means the process of converting a natural
12 resource to an intermediate or finished product, including the
13 treatment of water to be sold at retail.

14 (11) This subdivision does not apply to telecommunications
15 equipment as provided in subdivision 35, and does not apply to
16 wire, cable, fiber, poles, or conduit for telecommunications
17 services.

18 [EFFECTIVE DATE.] This section is effective for purchases
19 made after July 31, 2005.

20 Sec. 8. Minnesota Statutes 2004, section 297A.68,
21 subdivision 19, is amended to read:

22 Subd. 19. [PETROLEUM PRODUCTS.] The following petroleum
23 products are exempt:

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

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

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

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

36 (5) products used in a passenger snowmobile, as defined in

1 section 296A.01, subdivision 39, for off-highway business use as
2 part of the operations of a resort as provided under section
3 296A.16, subdivision 2, clause (2); or

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

8 (7) products purchased for use as fuel for a commuter rail
9 system operating under sections 174.80 to 174.90. The tax must
10 be imposed and collected as if the rate under section 297A.62,
11 subdivision 1, applied, and then refunded in the manner provided
12 in section 297A.75.

13 [EFFECTIVE DATE.] This section is effective for purchases
14 made after June 30, 2005.

15 Sec. 9. Minnesota Statutes 2004, section 297A.68, is
16 amended by adding a subdivision to read:

17 Subd. 40. [MOVIES AND TELEVISION; INPUTS TO PRODUCTION.]

18 The sale of tangible personal property primarily used or
19 consumed directly in the preproduction, production, and
20 postproduction of movies and television shows that are produced
21 for domestic and international commercial distribution are
22 exempt. "Preproduction" and "production" include all the
23 activities related to the preparation of shooting and the
24 shooting of movies and television shows, including film
25 processing. Equipment rented for preproduction and production
26 activities are exempt. "Postproduction" includes all activities
27 related to editing and finishing of the movie or television
28 show. This exemption does not apply to tangible personal
29 property or services used primarily in administration, general
30 management, or marketing. Machinery and equipment purchased for
31 use in producing movies and television shows, fuel, electricity,
32 gas, or steam used for space heating and lighting, food,
33 lodging, and any property or service for the personal use of any
34 individual are not exempt under this subdivision.

35 [EFFECTIVE DATE.] This section is effective for sales and
36 purchases made after June 30, 2005, and before July 1, 2007.

1 Sec. 10. Minnesota Statutes 2004, section 297A.68, is
2 amended by adding a subdivision to read:

3 Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery,
4 equipment, and supplies purchased or leased, and used by the
5 purchaser or lessee in this state directly in the provision of a
6 personal rapid transit system as defined in section 297A.61,
7 subdivision 37, are exempt. Machinery, equipment, and supplies
8 that qualify for this exemption include, but are not limited to,
9 the following:

10 (1) vehicles, guideways, and related parts used directly in
11 the transit system;

12 (2) computers and equipment used primarily for operating,
13 controlling, and regulating the system;

14 (3) machinery, equipment, furniture, and fixtures necessary
15 for the functioning of system stations;

16 (4) machinery, equipment, implements, tools, and supplies
17 used to maintain vehicles, guideways, and stations; and

18 (5) electricity and other fuels used in the provision of
19 the transit service, including heating, cooling, and lighting of
20 system stations.

21 (b) This exemption does not include machinery, equipment,
22 and supplies used for support and administration operations.

23 [EFFECTIVE DATE.] This section is effective for sales and
24 purchases made after June 30, 2008.

25 Sec. 11. Minnesota Statutes 2004, section 297A.70,
26 subdivision 8, is amended to read:

27 Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION
28 SYSTEM; PRODUCTS AND SERVICES.] Products and services including,
29 but not limited to, end user equipment used for construction,
30 ownership, operation, maintenance, and enhancement of the
31 backbone system of the regionwide public safety radio
32 communication system established under sections 403.21 to
33 403.34, are exempt. For purposes of this subdivision, backbone
34 system is defined in section 403.21, subdivision 9. This
35 subdivision is effective for purchases, sales, storage, use, or
36 consumption ~~occurring before August 17, 2005, in the counties of~~

1 ~~Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and~~
2 Washington for use in the first and second phases of the system,
3 as defined in section 403.21, subdivisions 3, 10, and 11, and
4 that portion of the third phase of the system that is located in
5 the southeast district of the State Patrol and the counties of
6 Benton, Sherburne, Stearns, and Wright.

7 [EFFECTIVE DATE.] This section is effective for sales after
8 June 30, 2006.

9 Sec. 12. Minnesota Statutes 2004, section 297A.70, is
10 amended by adding a subdivision to read:

11 Subd. 17. [DONATED MEALS.] Meals that are normally sold at
12 retail in the ordinary business activities of the taxpayer are
13 exempt if the meals are donated to a nonprofit group as defined
14 in subdivision 4 for fund-raising purposes.

15 [EFFECTIVE DATE.] This section is effective for donations
16 made after June 30, 2005.

17 Sec. 13. Minnesota Statutes 2004, section 297A.71, is
18 amended by adding a subdivision to read:

19 Subd. 33. [COMMUTER RAIL MATERIAL, SUPPLIES, AND
20 EQUIPMENT.] Materials and supplies consumed in, and equipment
21 incorporated in the construction, equipment, or improvement of a
22 commuter rail transportation system operated under sections
23 174.80 and 174.90 are exempt. This exemption includes railroad
24 cars and engines and related equipment.

25 [EFFECTIVE DATE.] This section is effective for purchases
26 made after June 30, 2005, and terminates when the commissioner
27 of revenue determines that the cost of the exemption for sales
28 to that point in time totals \$4,300,000.

29 Sec. 14. Minnesota Statutes 2004, section 297A.71, is
30 amended by adding a subdivision to read:

31 Subd. 34. [WASTE RECOVERY FACILITY.] Materials and
32 supplies used or consumed in, and equipment incorporated into,
33 the construction, improvement, or expansion of a waste-to-energy
34 resource recovery facility are exempt if the facility uses
35 biomass or mixed municipal solid waste as a primary fuel to
36 generate steam or electricity.

1 [EFFECTIVE DATE.] This section is effective for sales and
2 purchases made after June 30, 2005.

3 Sec. 15. Minnesota Statutes 2004, section 297A.71, is
4 amended by adding a subdivision to read:

5 Subd. 35. [PERSONAL RAPID TRANSIT SYSTEM.] Materials and
6 supplies used or consumed in, and equipment incorporated into
7 the construction, expansion, or improvement of a personal rapid
8 transit system as defined in section 297A.61, subdivision 37,
9 are exempt.

10 [EFFECTIVE DATE.] This section is effective for sales and
11 purchases made after June 30, 2008.

12 Sec. 16. Minnesota Statutes 2004, section 297A.71, is
13 amended by adding a subdivision to read:

14 Subd. 36. [ST. MARY'S DULUTH CLINIC HEALTH
15 SYSTEM.] Materials and supplies used or consumed in and
16 equipment incorporated into the construction of the hospital
17 portion of the St. Mary's Duluth Clinic Health System are exempt.

18 [EFFECTIVE DATE.] This section is effective for purchases
19 made on or after March 1, 2004, and on or before December 31,
20 2006. For purchases made on or after March 1, 2004, and before
21 the day following final enactment of this act, for which the
22 sales tax was paid, the commissioner of revenue shall refund the
23 tax. Except as otherwise provided in this paragraph, the
24 provisions of section 297A.75, subdivisions 2, 3, 4, and 5,
25 apply to a refund under this paragraph. The applicant must be
26 the owner of the St. Mary's Duluth Clinic Health System. If the
27 tax was paid by the contractor, subcontractor, or builder, the
28 contractor, subcontractor, or builder must furnish to the owner
29 a statement indicating the cost of the exempt items and the
30 taxes paid on the items.

31 Sec. 17. Minnesota Statutes 2004, section 297A.71, is
32 amended by adding a subdivision to read:

33 Subd. 37. [MUNICIPAL UTILITIES.] Materials and supplies
34 used or consumed in, and equipment incorporated into, the
35 construction, improvement, or expansion of electric generation
36 and related facilities used pursuant to a joint power purchase

1 agreement to meet the biomass energy mandate in section
2 216B.2424 are exempt if the owner or owners of the facilities
3 are a municipal electric utility or utilities or a joint venture
4 of municipal electric utilities. The tax must be imposed and
5 collected as if the rate under section 297A.62, subdivision 1,
6 applied and then refunded under section 297A.75.

7 [EFFECTIVE DATE.] This section is effective for sales and
8 purchases made after January 1, 2005.

9 Sec. 18. Minnesota Statutes 2004, section 297A.75,
10 subdivision 1, is amended to read:

11 Subdivision 1. [TAX COLLECTED.] The tax on the gross
12 receipts from the sale of the following exempt items must be
13 imposed and collected as if the sale were taxable and the rate
14 under section 297A.62, subdivision 1, applied. The exempt items
15 include:

16 (1) capital equipment exempt under section 297A.68,
17 subdivision 5;

18 (2) building materials for an agricultural processing
19 facility exempt under section 297A.71, subdivision 13;

20 (3) building materials for mineral production facilities
21 exempt under section 297A.71, subdivision 14;

22 (4) building materials for correctional facilities under
23 section 297A.71, subdivision 3;

24 (5) building materials used in a residence for disabled
25 veterans exempt under section 297A.71, subdivision 11;

26 (6) chair lifts, ramps, elevators, and associated building
27 materials exempt under section 297A.71, subdivision 12;

28 (7) building materials for the Long Lake Conservation
29 Center exempt under section 297A.71, subdivision 17;

30 (8) materials, supplies, fixtures, furnishings, and
31 equipment for a county law enforcement and family service center
32 under section 297A.71, subdivision 26; and

33 (9) materials and supplies for qualified low-income housing
34 under section 297A.71, subdivision 23;

35 (10) fuel purchased for commuter rail systems under section
36 297A.68, subdivision 19, clause (7); and

1 (11) materials, supplies, and equipment for municipal
2 electric utility facilities under section 297A.71, subdivision
3 33.

4 [EFFECTIVE DATE.] Clause (10) is effective for purchases
5 made after June 30, 2005, and clause (11) is effective for
6 purchases made after December 31, 2004.

7 Sec. 19. Minnesota Statutes 2004, section 297A.75,
8 subdivision 2, is amended to read:

9 Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on
10 forms prescribed by the commissioner, a refund equal to the tax
11 paid on the gross receipts of the exempt items must be paid to
12 the applicant. Only the following persons may apply for the
13 refund:

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

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

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

21 (4) for subdivision 1, clause (6), the applicant must be
22 the owner of the homestead property; and

23 (5) for subdivision 1, clause (9), the owner of the
24 qualified low-income housing project;

25 (6) for subdivision 1, clause (10), the operator of the
26 commuter rail system; and

27 (7) for subdivision 1, clause (10), the applicant must be a
28 municipal electric utility or a joint venture of municipal
29 electric utilities.

30 [EFFECTIVE DATE.] Clause (6) is effective for purchases
31 made after June 30, 2005. Clause (7) is effective for purchases
32 made after December 31, 2004.

33 Sec. 20. Minnesota Statutes 2004, section 297A.75,
34 subdivision 3, is amended to read:

35 Subd. 3. [APPLICATION.] (a) The application must include
36 sufficient information to permit the commissioner to verify the

1 tax paid. If the tax was paid by a contractor, subcontractor,
2 or builder, under subdivision 1, clause (4), (5), (6), (7), (8),
3 ~~or~~ (9), or (11), the contractor, subcontractor, or builder must
4 furnish to the refund applicant a statement including the cost
5 of the exempt items and the taxes paid on the items unless
6 otherwise specifically provided by this subdivision. The
7 provisions of sections 289A.40 and 289A.50 apply to refunds
8 under this section.

9 (b) An applicant may not file more than two applications
10 per calendar year for refunds for taxes paid on capital
11 equipment exempt under section 297A.68, subdivision 5.

12 [EFFECTIVE DATE.] This section is effective for sales and
13 purchases made after December 31, 2004.

14 Sec. 21. Minnesota Statutes 2004, section 297A.83,
15 subdivision 1, is amended to read:

16 Subdivision 1. [PERSONS APPLYING.] (a) A retailer required
17 to collect and remit sales taxes under section 297A.66 shall
18 file with the commissioner an application for a permit.

19 (b) A retailer making retail sales from outside this state
20 to a destination within this state who is not required to obtain
21 a permit under paragraph (a) may nevertheless voluntarily file
22 an application for a permit.

23 (c) The commissioner may require any person or class of
24 persons obligated to file a use tax return under section
25 289A.11, subdivision 3, to file an application for a permit,
26 except an individual allowed to file and pay use tax under
27 section 289A.18, subdivision 4a, is not required to obtain a
28 permit.

29 [EFFECTIVE DATE.] This section is effective for purchases
30 on and after July 1, 2005.

31 Sec. 22. Minnesota Statutes 2004, section 297A.87,
32 subdivision 2, is amended to read:

33 Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The
34 operator of an event under subdivision 1 shall obtain one of the
35 following from a person who wishes to do business as a seller at
36 the event:

1 (1) evidence that the person holds a valid seller's permit
2 under section 297A.84; ~~or~~

3 (2) a written statement that the person is not offering for
4 sale any item that is taxable under this chapter; or

5 (3) a written statement that this is the only selling event
6 that the person will be participating in for that calendar year,
7 that the person will be participating for three or fewer days,
8 and that the person will make \$500 or less in total sales in the
9 calendar year. The written statement shall include the person's
10 name, address, and telephone number.

11 (b) The operator shall require the evidence or statement as
12 a prerequisite to participating in the event as a seller.

13 [EFFECTIVE DATE.] This section is effective for selling
14 events occurring after June 30, 2005.

15 Sec. 23. Minnesota Statutes 2004, section 297A.87,
16 subdivision 3, is amended to read:

17 Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER
18 LIMITED CIRCUMSTANCES.] The isolated and occasional
19 sale ~~provisions~~ provision under section 297A.67, subdivision 23,
20 or ~~applies,~~ provided that the seller only participates for three
21 or fewer days in one event per calendar year, makes \$500 or less
22 in sales in the calendar year, and provides the written
23 statement required in subdivision 2, paragraph (a), clause (3).
24 The isolated and occasional sales provision under section
25 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an
26 event under this section.

27 [EFFECTIVE DATE.] This section is effective for selling
28 events occurring after June 30, 2005.

29 Sec. 24. Minnesota Statutes 2004, section 297A.99,
30 subdivision 1, is amended to read:

31 Subdivision 1. [CITIES OF THE FIRST CLASS; AUTHORIZATION;
32 SCOPE.] (a) A ~~political-subdivision-of-this-state~~ city of the
33 first class, as defined in section 410.01, may, by ordinance,
34 impose a general sales tax ~~if-permitted-by-special-law-or-if-the~~
35 political-subdivision-enacted-and-imposed-the-tax-before-the
36 effective-date-of-section-477A.016-and-its-predecessor-provision

1 at a rate of tax of one-half of one percent, except the city of
 2 Duluth may impose a tax at a rate not to exceed one percent. A
 3 city of the first class may, by ordinance, extend the time to
 4 impose a sales tax that was enacted before July 1, 2004.

5 ~~(b) This section governs the imposition of a general sales~~
 6 ~~tax by the political subdivision. The provisions of this~~
 7 ~~section preempt the provisions of any special law~~

8 ~~(1) enacted before June 27, 1997, or~~

9 ~~(2) enacted on or after June 27, 1997, that does not~~

10 ~~explicitly exempt the special law provision from this section's~~
 11 ~~rules by reference~~ The provisions of subdivisions 4 through 12
 12 apply to a tax imposed under this subdivision.

13 ~~(c) This section does not apply to or preempt a sales tax~~
 14 ~~on motor vehicles or~~ A city of the first class may impose, by
 15 ordinance, a special excise tax on motor vehicles of up to \$20
 16 per motor vehicle purchased or acquired from any person engaged
 17 in the business of selling motor vehicles within the city.

18 [EFFECTIVE DATE.] This section is effective on and after
 19 July 1, 2005.

20 Sec. 25. Minnesota Statutes 2004, section 297A.99,
 21 subdivision 2, is amended to read:

22 Subd. 2. [LOCAL RESOLUTION BEFORE APPLICATION FOR CITIES
 23 OF THE SECOND AND THIRD CLASS; AUTHORITY; SCOPE.] Before the
 24 governing body of a political subdivision requests legislative
 25 approval of a special law for a local sales tax that is
 26 administered under this section, it shall adopt a resolution
 27 indicating its approval of the tax. The resolution must
 28 include, at a minimum, information on the proposed tax rate, how
 29 the revenues will be used, the total revenue that will be raised
 30 before the tax expires, and the estimated length of time that
 31 the tax will be in effect. This subdivision applies to local
 32 laws enacted after June 30, 1998. (a) Subject to the limitations
 33 in paragraphs (b) to (d), a city of the second or third class,
 34 as defined in section 410.01, may, by ordinance, impose a
 35 general sales tax at a rate of one-half of one percent, and may
 36 extend the time to impose a sales tax that was enacted prior to

1 July 1, 2005.

2 (b) The proceeds of a tax imposed or extended under this
3 subdivision must be dedicated exclusively to payment of the cost
4 of a specific capital improvement that provides a benefit to the
5 city and to the county, region, or territory beyond the city
6 boundaries, and must be an improvement in at least one of the
7 following areas:

8 (1) regional convention or civic centers;

9 (2) regional airports;

10 (3) public libraries;

11 (4) the city's matching funds requirement for major capital
12 infrastructure improvements to arterial roads, bridges, or
13 railroads;

14 (5) public safety equipment or facilities for dispatching,
15 communications, computers, or training; or

16 (6) flood control or protection.

17 (c) Prior to imposition of the tax, the city must provide
18 to the commissioner information that shows the tax will fund an
19 improvement that meets the requirements of paragraph (b).

20 (d) If the city passes an ordinance to impose the tax, the
21 ordinance must be published for two consecutive weeks in a
22 newspaper of general circulation within the city. The ordinance
23 is not effective until it has been submitted to the voters of
24 the city at a general election and a majority of votes cast on
25 the question of approving the tax are in the affirmative.

26 [EFFECTIVE DATE.] This section is effective on and after
27 July 1, 2005.

28 Sec. 26. Minnesota Statutes 2004, section 297A.99,
29 subdivision 3, is amended to read:

30 Subd. 3. ~~[REQUIREMENTS-FOR-ADOPTION,-USE,-TERMINATION~~

31 ~~SPECIAL LAW; LOCAL RESOLUTION; REFERENDUM.] (a) Imposition-of-a~~

32 ~~local-sales-tax-is-subject-to-approval-by-voters-of-the~~

33 ~~political-subdivision-at-a-general-election~~ A city of the second

34 or third class that proposes to adopt a sales tax to pay for the

35 costs of a project that is not included in subdivision 2, and

36 cities of the fourth class and counties may impose a general

1 sales tax if permitted by special law.

2 ~~(b) The proceeds of the tax must be dedicated exclusively~~
3 ~~to payment of the cost of a specific capital improvement which~~
4 ~~is designated at least 90 days before the referendum on~~
5 ~~imposition of the tax is conducted~~ Before the governing body of
6 a city or county requests legislative approval of a special law
7 for a local sales tax that is administered under this section,
8 it shall adopt a resolution indicating its approval of the tax.
9 The resolution must include, at a minimum, information on the
10 proposed tax rate, how the revenues will be used, the total
11 revenue that will be raised before the tax expires, and the
12 estimated length of time that the tax will be in effect.

13 ~~(c) The tax must terminate after the improvement designated~~
14 ~~under paragraph (b) has been completed~~ Imposition of a local
15 sales tax under this subdivision is subject to approval by
16 voters of the city or county at a general election.

17 ~~(d) After a sales tax imposed by a political subdivision~~
18 ~~has expired or been terminated, the political subdivision is~~
19 ~~prohibited from imposing a local sales tax for a period of one~~
20 ~~year. Notwithstanding subdivision 13, this paragraph applies to~~
21 ~~all local sales taxes in effect at the time of or imposed after~~
22 ~~May 26, 1999~~ The proceeds of the tax must be dedicated
23 exclusively to payment of the cost of a specific capital
24 improvement which is designated at least 90 days before the
25 referendum on imposition of the tax is conducted.

26 ~~(e) The tax must terminate after the improvement designated~~
27 ~~under paragraph (d) has been completed.~~

28 [EFFECTIVE DATE.] This section is effective on and after
29 July 1, 2005.

30 Sec. 27. Minnesota Statutes 2004, section 297A.99,
31 subdivision 5, is amended to read:

32 Subd. 5. [TAX RATE.] (a) The tax rate is as specified in
33 subdivision 1 or 2, or in the special law authorization and as
34 imposed by the political subdivision.

35 (b) The full political subdivision rate applies to any
36 sales that are taxed at a state rate, and the political

1 subdivision must not have more than one local sales tax rate or
2 more than one local use tax rate. This paragraph does not apply
3 to sales or use taxes imposed on electricity, piped natural or
4 artificial gas, or other heating fuels delivered by the seller,
5 or the retail sale or transfer of motor vehicles, aircraft,
6 watercraft, modular homes, manufactured homes, or mobile homes.

7 [EFFECTIVE DATE.] This section is effective on and after
8 July 1, 2005.

9 Sec. 28. Minnesota Statutes 2004, section 297A.99,
10 subdivision 12, is amended to read:

11 Subd. 12. [EFFECTIVE DATES; NOTIFICATION.] (a) A political
12 subdivision may impose a tax under this section starting only on
13 the first day of a calendar quarter year. A political
14 subdivision may repeal a tax under this section stopping only on
15 the last day of a calendar quarter.

16 (b) The political subdivision shall notify the commissioner
17 of revenue at least 90 days before imposing, changing the rate
18 of, or repealing a tax under this section.

19 (c) The political subdivision shall change the rate of tax
20 imposed under this section starting only on the first day of a
21 calendar quarter, and only after the commissioner has notified
22 sellers at least 60 days prior to the change.

23 (d) The political subdivision shall apply the rate change
24 for sales tax imposed under this section to purchases from
25 printed catalogs, wherein the purchaser computed the tax based
26 upon local tax rates published in the catalog, starting only on
27 the first day of a calendar quarter, and only after the
28 commissioner has notified sellers at least 120 days prior to the
29 change.

30 (e) The political subdivision shall apply local
31 jurisdiction boundary changes to taxes imposed under this
32 section starting only on the first day of a calendar quarter,
33 and only after the commissioner has notified sellers at least 60
34 days prior to the change.

35 [EFFECTIVE DATE.] This section is effective on and after
36 July 1, 2005.

1 Sec. 29. Minnesota Statutes 2004, section 297B.03, is
2 amended to read:

3 297B.03 [EXEMPTIONS.]

4 There is specifically exempted from the provisions of this
5 chapter and from computation of the amount of tax imposed by it
6 the following:

7 (1) purchase or use, including use under a lease purchase
8 agreement or installment sales contract made pursuant to section
9 465.71, of any motor vehicle by the United States and its
10 agencies and instrumentalities and by any person described in
11 and subject to the conditions provided in section 297A.67,
12 subdivision 11;

13 (2) purchase or use of any motor vehicle by any person who
14 was a resident of another state or country at the time of the
15 purchase and who subsequently becomes a resident of Minnesota,
16 provided the purchase occurred more than 60 days prior to the
17 date such person began residing in the state of Minnesota and
18 the motor vehicle was registered in the person's name in the
19 other state or country;

20 (3) purchase or use of any motor vehicle by any person
21 making a valid election to be taxed under the provisions of
22 section 297A.90;

23 (4) purchase or use of any motor vehicle previously
24 registered in the state of Minnesota when such transfer
25 constitutes a transfer within the meaning of section 118, 331,
26 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or
27 1563(a) of the Internal Revenue Code of 1986, as amended through
28 December 31, 1999;

29 (5) purchase or use of any vehicle owned by a resident of
30 another state and leased to a Minnesota based private or for
31 hire carrier for regular use in the transportation of persons or
32 property in interstate commerce provided the vehicle is titled
33 in the state of the owner or secured party, and that state does
34 not impose a sales tax or sales tax on motor vehicles used in
35 interstate commerce;

36 (6) purchase or use of a motor vehicle by a private

1 nonprofit or public educational institution for use as an
2 instructional aid in automotive training programs operated by
3 the institution. "Automotive training programs" includes motor
4 vehicle body and mechanical repair courses but does not include
5 driver education programs;

6 (7) purchase of a motor vehicle for use as an ambulance by
7 an ambulance service licensed under section 144E.10;

8 (8) purchase of a motor vehicle by or for a public library,
9 as defined in section 134.001, subdivision 2, as a bookmobile or
10 library delivery vehicle;

11 (9) purchase of a ready-mixed concrete truck;

12 (10) purchase or use of a motor vehicle by a town for use
13 exclusively for road maintenance, including snowplows and dump
14 trucks, but not including automobiles, vans, or pickup trucks;

15 (11) purchase or use of a motor vehicle by a corporation,
16 society, association, foundation, or institution organized and
17 operated exclusively for charitable, religious, or educational
18 purposes, except a public school, university, or library, but
19 only if the vehicle is:

20 (i) a truck, as defined in section 168.011, a bus, as
21 defined in section 168.011, or a passenger automobile, as
22 defined in section 168.011, if the automobile is designed and
23 used for carrying more than nine persons including the driver;
24 and

25 (ii) intended to be used primarily to transport tangible
26 personal property or individuals, other than employees, to whom
27 the organization provides service in performing its charitable,
28 religious, or educational purpose;

29 (12) purchase of a motor vehicle for use by a transit
30 provider exclusively to provide transit service is exempt if the
31 transit provider is either (i) receiving financial assistance or
32 reimbursement under section 174.24 or 473.384, or (ii) operating
33 under section 174.29, 473.388, or 473.405;

34 (13) purchase or use of a motor vehicle by a qualified
35 business, as defined in section 469.310, located in a job
36 opportunity building zone, if the motor vehicle is principally

1 garaged in the job opportunity building zone and is primarily
2 used as part of or in direct support of the person's operations
3 carried on in the job opportunity building zone. The exemption
4 under this clause applies to sales, if the purchase was made and
5 delivery received during the duration of the job opportunity
6 building zone. The exemption under this clause also applies to
7 any local sales and use tax;

8 (14) purchase or use after June 30, 2005, and before July
9 1, 2008, of a motor vehicle by a state agency or political
10 subdivision, provided that the motor vehicle has a fuel
11 efficiency greater than 45 miles per gallon in highway use, and
12 greater than 35 miles per gallon in city use, as certified by
13 the United States Environmental Protection Agency.

14 [EFFECTIVE DATE.] This section is effective for sales and
15 transfers made after June 30, 2005, and before July 1, 2008.

16 Sec. 30. Minnesota Statutes 2004, section 477A.016, is
17 amended to read:

18 477A.016 [NEW TAXES PROHIBITED.]

19 No county, city, town or other taxing authority shall
20 ~~increase-a-present-tax-or~~ impose a new tax on ~~sales-or~~ income.

21 [EFFECTIVE DATE.] This section is effective on and after
22 July 1, 2005.

23 Sec. 31. Laws 1986, chapter 379, section 1, is amended to
24 read:

25 Section 1. [CITY OF ST. CLOUD; LIQUOR AND FOOD TAX.]

26 Subdivision 1. [LIQUOR AND FOOD TAX AUTHORIZED.]

27 Notwithstanding Minnesota Statutes, section 477A.016, or any
28 ordinance, city charter, or other provision of law, the city of
29 St. Cloud may, by ordinance, impose a sales tax supplemental to
30 the general sales tax imposed in Minnesota Statutes, chapter
31 297A, the proceeds of which shall be used in accordance with
32 subdivision 2. The tax imposed by the city may be not more-than
33 ~~one~~ exceed two percent on the gross receipts from all retail
34 on-sales of intoxicating liquor and fermented malt beverages
35 sold at licensed on-sale liquor establishments located within
36 its geographic boundaries, or not more than ~~one~~ two percent on

1 the gross receipts from the retail sale of food and beverages
2 not subject to the liquor tax by a restaurant or place of
3 refreshment located within its geographic boundaries, or both.
4 For purposes of this act, the city shall define the terms
5 "restaurant" and "place of refreshment" by resolution. The
6 governing body of the city may adopt an ordinance establishing a
7 convention center taxing district. The ordinance shall describe
8 with particularity the area within the city to be included in
9 the district. If the city establishes a convention center
10 taxing district, the sales taxes authorized under this
11 subdivision may be imposed only upon the sales occurring at
12 on-sale liquor establishments, restaurants, or other places of
13 refreshment located within the district. The city may impose a
14 tax at a rate that is greater than one percent, not to exceed
15 two percent, only after the approval of the voters of the city
16 at the next general election.

17 Subd. 2. [USE OF PROCEEDS OF LIQUOR AND FOOD TAX.] The
18 proceeds of any tax imposed under subdivision 1 shall be used by
19 the city to pay all or a portion of the expenses of constructing
20 a convention center facility ~~or~~ and related facilities, and the
21 municipal athletic complex. Authorized expenses include, but
22 are not limited to, securing or paying debt service on bonds or
23 other obligations issued to finance the construction of a
24 convention center facility ~~or~~ and related facilities, and the
25 municipal athletic complex. For the purposes of this act,
26 "related facilities" means all publicly owned real or personal
27 property that the governing body of the city determines will be
28 necessary to facilitate the use of the ~~convention-center~~
29 facilities including, but not limited to, parking, skyways,
30 lighting, and landscaping.

31 Subd. 3. [EXPIRATION OF TAXING AUTHORITY.] The authority
32 granted by subdivision 1 to the city to impose a liquor and food
33 tax shall expire when the principal and interest on any bonds or
34 other obligations issued to finance construction of a convention
35 center facility ~~or~~ and related facilities, and municipal
36 athletic complex have been paid or at an earlier time as the

1 city shall, by ordinance, determine.

2 [EFFECTIVE DATE.] This section is effective the day after
3 compliance by the city of St. Cloud with Minnesota Statutes,
4 section 645.021, subdivision 3.

5 Sec. 32. Laws 1986, chapter 379, section 2, subdivision 1,
6 is amended to read:

7 Subdivision 1. [ADDITIONAL TAX AUTHORIZED.]
8 Notwithstanding Minnesota Statutes, section 477A.016, or any
9 ordinance, city charter, or other provision of law, the city of
10 St. Cloud may, by ordinance, impose a tax at a rate not to
11 exceed ~~two~~ three percent in addition to the tax authorized under
12 Laws 1979, chapter 197, on the gross receipts from the
13 furnishing for consideration of lodging at a hotel, motel,
14 rooming house, tourist court, or resort other than the renting
15 or leasing of it for a continuous period of 30 days or
16 more. The city may impose a tax at a rate that is greater than
17 two percent, not to exceed three percent, only after the
18 approval of the voters of the city at the next general election.

19 [EFFECTIVE DATE.] This section is effective the day after
20 compliance by the city of St. Cloud with Minnesota Statutes,
21 section 645.021, subdivision 3.

22 Sec. 33. Laws 1991, chapter 291, article 8, section 27,
23 subdivision 4, is amended to read:

24 Subd. 4. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE
25 LIMITATION.] The authority granted by subdivisions 1 and 2 to
26 the city to impose a sales tax and an excise tax shall expire
27 when the principal and interest on any bonds or obligations
28 issued to finance construction of Riverfront 2000 and related
29 facilities have been paid or at an earlier time as the city
30 shall, by ordinance, determine. ~~The total capital,~~
31 ~~administrative, and operating expenditures payable from bond~~
32 ~~proceeds and revenues received from the taxes authorized by~~
33 ~~subdivisions 1 and 2, excluding investment earnings on bond~~
34 ~~proceeds and revenues, shall not exceed \$25,000,000 for~~
35 ~~Riverfront 2000 and related facilities.~~

36 [EFFECTIVE DATE.] This section is effective upon compliance

1 by the city of Mankato with Minnesota Statutes, section 645.021,
2 subdivision 3.

3 Sec. 34. Laws 1991, chapter 291, article 8, section 27,
4 subdivision 5, is amended to read:

5 Subd. 5. [BONDS.] The city of Mankato may issue general
6 obligation bonds of the city in an aggregate amount not to
7 exceed \$25,000,000 for Riverfront 2000 and related facilities,
8 without election under Minnesota Statutes, chapter 475, on the
9 question of issuance of the bonds or a tax to pay them. The
10 debt represented by bonds issued for Riverfront 2000 and related
11 facilities shall not be included in computing any debt
12 limitations applicable to the city of Mankato, and the levy of
13 taxes required by section 475.61 to pay principal of and
14 interest on the bonds shall not be subject to any levy
15 limitation or be included in computing or applying any levy
16 limitation applicable to the city.

17 [EFFECTIVE DATE.] This section is effective upon compliance
18 by the city of Mankato with Minnesota Statutes, section 645.021,
19 subdivision 3.

20 Sec. 35. Laws 1996, chapter 471, article 2, section 29, is
21 amended to read:

22 Sec. 29. [CITY OF HERMANTOWN; SALES AND USE TAX.]

23 Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a)
24 Notwithstanding Minnesota Statutes, section 477A.016, or any
25 other contrary provision of law, ordinance, or city charter, the
26 city of Hermantown may, by ordinance, impose an additional sales
27 and use tax of up to one percent on sales ~~transaetiens~~, storage,
28 and use taxable pursuant to Minnesota Statutes, chapter 297A,
29 that occur within the city.

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

- 33 (1) extending a sewer interceptor line;
34 (2) construction of a booster pump station, reservoirs, and
35 related improvements to the water system; and
36 (3) construction of a police and fire station.

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

6 (1) construction of a city hall to be connected to the
7 existing public safety facility;

8 (2) construction of a new facility or purchase of an
9 existing facility to be used as a public works facility;

10 (3) construction, signalization, and rehabilitation of
11 primary collector roads and commercial frontage roads, within
12 the city; and

13 (4) extension of a sewer interceptor line.

14 (d) Authorized expenses include, but are not limited to,
15 acquiring property; paying construction, administrative, and
16 operating expenses related to the development of the projects
17 listed in paragraph (c); paying debt service on bonds or other
18 obligations, including lease obligations, issued to finance
19 construction, expansion, or improvement of the projects listed
20 in paragraph (c); and other compatible uses, including but not
21 limited to, parking, lighting, and landscaping.

22 Subd. 2. [REFERENDUM.] (a) If the Hermantown city council
23 proposes to impose the sales tax authorized by this section, it
24 shall conduct a referendum on the issue.

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

29 (c) The question of imposing or increasing the tax must be
30 submitted to the voters at a special or general election. The
31 tax may not be imposed unless a majority of votes cast on the
32 question of imposing the tax are in the affirmative. The
33 commissioner of revenue shall prepare a suggested form of
34 question to be presented at the election. This subdivision
35 applies notwithstanding any city charter provision to the
36 contrary.

1 Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF
2 TAXES.] A sales tax imposed under this section must be reported
3 and paid to the commissioner of revenue with the state sales
4 taxes, and be subject to the same penalties, interest, and
5 enforcement provisions. The proceeds of the tax, less refunds
6 and a proportionate share of the cost of collection, shall be
7 remitted at least quarterly to the city. The commissioner shall
8 deduct from the proceeds remitted an amount that equals the
9 indirect statewide cost as well as the direct and indirect
10 department costs necessary to administer, audit, and collect the
11 tax. The amount deducted shall be deposited in the state
12 general fund.

13 Subd. 3a. [BONDING AUTHORITY.] (a) The city may issue
14 general obligation bonds under Minnesota Statutes, chapter 475,
15 to finance the costs in subdivision 1, paragraph (c). The total
16 amount of bonds issued for the projects under subdivision 1,
17 paragraph (c), may not exceed \$13,000,000 in the aggregate. An
18 election to approve the bonds is not required.

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

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

26 Subd. 4. [TERMINATION.] The portion of the tax authorized
27 under this section to finance the improvements described in
28 subdivision 1, paragraph (b), terminates at the later of (1) ten
29 years after the date of initial imposition of the tax, or (2) on
30 the first day of the second month next succeeding a
31 determination by the city council that sufficient funds have
32 been received from that portion of the tax dedicated to finance
33 the those improvements described-in-subdivision-1, clauses-(1)
34 to-(3), and to prepay or retire at maturity the principal,
35 interest, and premium due on any bonds issued for the
36 improvements. The portion of the tax authorized to finance the

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

9 ~~Subd. 5. [LOCAL APPROVAL, EFFECTIVE DATE.] This section is~~
 10 ~~effective the day after final enactment, upon compliance with~~
 11 ~~Minnesota Statutes, section 645.021, subdivision 3, by the city~~
 12 ~~of Hermantown.~~

13 [EFFECTIVE DATE.] This section is effective the day after
 14 the governing body of the city of Hermantown and its chief
 15 clerical officer comply with Minnesota Statutes, section
 16 645.021, subdivisions 2 and 3.

17 Sec. 36. Laws 1998, chapter 389, article 8, section 43,
 18 subdivision 3, is amended to read:

19 Subd. 3. [USE OF REVENUES.] Revenues received from the
 20 taxes authorized by subdivisions 1 and 2 must be used by the
 21 city to pay for the cost of collecting and administering the
 22 taxes and to pay for the following projects:

23 (1) transportation infrastructure improvements including
 24 ~~both~~ regional highway and airport improvements;

25 (2) improvements to the civic center complex;

26 (3) a municipal water, sewer, and storm sewer project
 27 necessary to improve regional ground water quality; and

28 (4) construction of a regional recreation and sports center
 29 and ~~associated~~ other higher education facilities available for
 30 both community and student use, ~~located at or adjacent to the~~
 31 ~~Recheater center.~~

32 The total amount of capital expenditures or bonds for these
 33 projects that may be paid from the revenues raised from the
 34 taxes authorized in this section may not exceed

35 ~~\$71,500,000~~ \$111,500,000. The total amount of capital

36 expenditures or bonds for the project in clause (4) that may be

1 paid from the revenues raised from the taxes authorized in this
2 section may not exceed ~~\$20,000,000~~ \$28,000,000.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

5 Sec. 37. Laws 1998, chapter 389, article 8, section 43,
6 subdivision 4, is amended to read:

7 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
8 under Minnesota Statutes, chapter 475, to finance the capital
9 expenditure and improvement projects. An election to approve
10 the bonds under Minnesota Statutes, section 475.58, may be held
11 in combination with the election to authorize imposition of the
12 tax under subdivision 1. Whether to permit imposition of the
13 tax and issuance of bonds may be posed to the voters as a single
14 question. The question must state that the sales tax revenues
15 are pledged to pay the bonds, but that the bonds are general
16 obligations and will be guaranteed by the city's property taxes.

17 (b) The issuance of bonds under this subdivision is not
18 subject to Minnesota Statutes, section 275.60.

19 (c) The bonds are not included in computing any debt
20 limitation applicable to the city, and the levy of taxes under
21 Minnesota Statutes, section 475.61, to pay principal of and
22 interest on the bonds is not subject to any levy limitation.
23 The aggregate principal amount of bonds, plus the aggregate of
24 the taxes used directly to pay eligible capital expenditures and
25 improvements may not exceed ~~\$71,500,000~~ \$111,500,000, plus an
26 amount equal to the costs related to issuance of the bonds.

27 (d) The taxes may be pledged to and used for the payment of
28 the bonds and any bonds issued to refund them, only if the bonds
29 and any refunding bonds are general obligations of the city.

30 [EFFECTIVE DATE.] This section is effective the day
31 following final enactment.

32 Sec. 38. Laws 1999, chapter 243, article 4, section 18,
33 subdivision 1, is amended to read:

34 Subdivision 1. [SALES AND USE TAX.] (a) Notwithstanding
35 Minnesota Statutes, section ~~297A.487-subdivision-1a~~, 477A.016,
36 or any other provision of law, ordinance, or city charter, if

1 approved by the city voters at the first municipal general
2 election held after the date of final enactment of this act or
3 at a special election held November 2, 1999, the city of Proctor
4 may impose by ordinance a sales and use tax of up to one-half of
5 one percent for the purposes specified in subdivision 3,
6 paragraph (a). The provisions of Minnesota Statutes,
7 section ~~297A.48~~ 297A.99, govern the imposition, administration,
8 collection, and enforcement of the tax authorized under this
9 subdivision.

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

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

19 Sec. 39. Laws 1999, chapter 243, article 4, section 18,
20 subdivision 3, is amended to read:

21 Subd. 3. [USE OF REVENUES.] (a) Revenues received from
22 taxes authorized by subdivisions 1, paragraph (a), and 2 must be
23 used by the city to pay the cost of collecting the taxes and to
24 pay for construction and improvement of the following city
25 facilities:

26 (1) streets; and

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

29 Authorized expenses include, but are not limited to,
30 acquiring property, paying construction and operating expenses
31 related to the development of an authorized facility, and paying
32 debt service on bonds or other obligations, including lease
33 obligations, issued to finance the construction, expansion, or
34 improvement of an authorized facility. The capital expenses for
35 all projects authorized under this paragraph that may be paid
36 with these taxes is limited to \$3,600,000, plus an amount equal

1 to the costs related to issuance of the bonds.

2 (b) Revenues received from taxes authorized by subdivision
3 1, paragraph (b), must be used by the city to pay the cost of
4 collecting the taxes and for construction and improvements of
5 city streets, public utilities, sidewalks, bikeways, and trails.

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

9 Sec. 40. Laws 1999, chapter 243, article 4, section 18,
10 subdivision 4, is amended to read:

11 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
12 under Minnesota Statutes, chapter 475, to finance the capital
13 expenditure and improvement projects described in subdivision
14 3. An election to approve the bonds under Minnesota Statutes,
15 section 475.58, is not required.

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

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

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

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

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment, upon compliance by the city of

1 Proctor with Minnesota Statutes, section 645.021, subdivision 3.

2 Sec. 41. Laws 2001, First Special Session chapter 5,
3 article 12, section 67, the effective date, is amended to read:

4 [EFFECTIVE DATE.] This section is effective for purchases
5 and sales made after June 30, 2001, and before January-17-2003
6 July 1, 2007.

7 [EFFECTIVE DATE.] This section is effective the day
8 following final enactment.

9 Sec. 42. Laws 2001, First Special Session chapter 5,
10 article 12, section 82, the effective date, as amended by Laws
11 2002, chapter 377, article 3, section 23, is amended to read:

12 [EFFECTIVE DATE.] This section is effective for sales and
13 purchases made after December 31, 2005 2007, or until the State
14 of Minnesota is found to be out of compliance with the
15 streamlined sales tax project only to the extent of the change
16 in this act and for no other reason, if that finding is made
17 before December 31, 2007.

18 Sec. 43. Laws 2001, First Special Session chapter 5,
19 article 12, section 95, is amended to read:

20 Sec. 95. [REPEALER.]

21 (a) Minnesota Statutes 2000, sections 297A.61, subdivision
22 16; 297A.68, subdivision 21; and 297A.71, subdivisions 2 and 16,
23 are repealed effective for sales and purchases occurring after
24 June 30, 2001, except that the repeal of section 297A.61,
25 subdivision 16, paragraph (d), is effective for sales and
26 purchases occurring after July 31, 2001.

27 ~~(b) Minnesota Statutes 2000, sections 297A.62, subdivision~~
28 ~~27 and 297A.64, subdivision 17, are repealed effective for sales~~
29 ~~and purchases made after December 31, 2005.~~

30 ~~(c)~~ (b) Minnesota Statutes 2000, section 297A.71,
31 subdivision 15, is repealed effective for sales and purchases
32 made after June 30, 2002.

33 ~~(d)~~ (c) Minnesota Statutes 2000, section 289A.60,
34 subdivision 15, is repealed effective for liabilities after
35 January 1, 2003.

36 [EFFECTIVE DATE.] This section is effective the day

1 following final enactment.

2 Sec. 44. Laws 2002, chapter 377, article 3, section 4, the
3 effective date, is amended to read:

4 [~~EFFECTIVE DATE.~~] ~~With-the-exception-of-clause-(2),-item~~
5 ~~(ii),~~ This section is effective for sales and purchases made
6 after June 30, 2002. ~~Clause-(2),-item-(ii),-is-effective-for~~
7 ~~sales-and-purchases-made-after-June-30,-2002,-and-before-January~~
8 ~~17-2006.~~

9 Sec. 45. Laws 2002, chapter 377, article 12, section 16,
10 subdivision 1, is amended to read:

11 Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.]
12 The city of Thief River Falls may incorporate or authorize the
13 incorporation of a nonprofit corporation to operate a community
14 or regional center in the city. A nonprofit corporation
15 incorporated under this section is exempt from payment of sales
16 and use tax on materials, equipment, and supplies consumed or
17 incorporated into the construction of the community or regional
18 center. The exemption under this section applies to purchases
19 by the nonprofit corporation, a contractor, subcontractor, or
20 builder. A contractor, subcontractor, or builder that does not
21 pay sales tax on purchases for construction of the community or
22 regional center shall not charge sales or use tax to the
23 nonprofit corporation. The nonprofit corporation may file a
24 claim for refund for any sales taxes paid on the construction
25 costs of the community or regional center, and the commissioner
26 of revenue shall pay the refunded amount directly to the
27 nonprofit corporation.

28 [~~EFFECTIVE DATE.~~] This section is effective retroactively
29 for purchases made on and after July 1, 2002.

30 Sec. 46. [CITY OF ALBERT LEA; SALES AND USE TAX.]

31 Subdivision 1. [SALES AND USE TAX
32 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
33 477A.016, or any other provision of law, ordinance, or city
34 charter, the city of Albert Lea may, by ordinance, impose a
35 sales and use tax of one-half of one percent for the purposes
36 specified in subdivision 2. The provisions of Minnesota

1 Statutes, section 297A.99, govern the imposition,
2 administration, collection, and enforcement of the tax
3 authorized under this subdivision.

4 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
5 imposed under this section shall be used to pay for lake
6 improvement projects as detailed in the Shell Rock River
7 watershed plan.

8 Subd. 3. [REFERENDUM.] If the Albert Lea City Council
9 proposes to impose the tax authorized by this section, the
10 question of imposing the tax must be submitted to the voters at
11 the next general election.

12 Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under
13 this section expire at the earlier of (1) ten years after the
14 taxes are first imposed, or (2) when the city council first
15 determines that the amount of revenues raised to pay for the
16 projects under subdivision 2, shall meet or exceed the sum of
17 \$15,000,000. Any funds remaining after completion of the
18 projects may be placed in the general fund of the city.

19 [EFFECTIVE DATE.] This section is effective the day after
20 compliance by the governing body of the city of Albert Lea with
21 Minnesota Statutes, section 645.021, subdivision 3.

22 Sec. 47. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]

23 Subdivision 1. [SALES AND USE TAXES.] Notwithstanding
24 Minnesota Statutes, section 477A.016, or any other provision of
25 law or ordinance, if approved by the voters of the city at the
26 next general election held after the date of final enactment of
27 this act, the city of Beaver Bay may impose by ordinance a sales
28 and use tax at a rate of up to one percent for the purposes
29 specified in subdivision 2. The provisions of Minnesota
30 Statutes, section 297A.99, govern the imposition,
31 administration, collection, and enforcement of the tax
32 authorized under this subdivision.

33 Subd. 2. [USE OF REVENUES.] The revenues received from
34 taxes authorized by subdivision 1 must be used to pay the bonded
35 indebtedness on the city community building and to provide
36 funding for recreational facilities, the upgrading of the water

1 and sewer system, upgrading and replacement of fire equipment,
2 and improvement of streets.

3 Subd. 3. [TERMINATION OF TAXES.] The authority granted
4 under subdivision 1 to the city of Beaver Bay to impose sales
5 and use taxes expires when the city council determines that the
6 amount of revenue received to pay the costs of the projects
7 described in subdivision 2 shall meet or exceed \$1,500,000. Any
8 funds remaining after completion of the projects may be placed
9 in the general fund of the city. The tax imposed under
10 subdivision 1 may expire at an earlier time if the city so
11 determines by ordinance.

12 [EFFECTIVE DATE.] This section is effective the day after
13 the governing body of the city of Beaver Bay and its chief
14 clerical officer timely comply with Minnesota Statutes, section
15 645.021, subdivisions 2 and 3.

16 Sec. 48. [CITY OF BEMIDJI.]

17 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]
18 Notwithstanding Minnesota Statutes, section 477A.016, or any
19 other provision of law, ordinance, or city charter, pursuant to
20 the approval of the city voters at the general election held on
21 November 5, 2002, the city of Bemidji may impose by ordinance a
22 sales and use tax of one-half of one percent for the purposes
23 specified in subdivision 2. The provisions of Minnesota
24 Statutes, section 297A.99, govern the imposition,
25 administration, collection, and enforcement of the tax
26 authorized under this subdivision.

27 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
28 authorized by subdivision 1 must be used for the cost of
29 collecting and administering the tax and to pay all or part of
30 the capital or administrative costs of the acquisition,
31 construction, and improvement of parks and trails within the
32 city, as provided for in the city of Bemidji's parks, open
33 space, and trail system plan, adopted by the Bemidji City
34 Council on November 21, 2001. Authorized expenses include, but
35 are not limited to, acquiring property, paying construction
36 expenses related to the development of these facilities and

1 improvements, and securing and paying debt service on bonds or
2 other obligations issued to finance acquisition, construction,
3 improvement, or development of parks and trails within the city
4 of Bemidji.

5 Subd. 3. [BONDS.] Pursuant to the approval of the city
6 voters at the general election held on November 5, 2002, the
7 city of Bemidji may issue, without an additional election,
8 general obligation bonds of the city in an amount not to exceed
9 \$9,826,000 to pay capital and administrative expenses for the
10 acquisition, construction, improvement, and development of parks
11 and trails as specified in subdivision 2. The debt represented
12 by the bonds must not be included in computing any debt
13 limitations applicable to the city, and the levy of taxes
14 required by Minnesota Statutes, section 475.61, to pay the
15 principal of any interest on the bonds must not be subject to
16 any levy limitations or be included in computing or applying any
17 levy limitation applicable to the city.

18 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
19 subdivision 1 expires when the Bemidji City Council determines
20 that the amount described in subdivision 3 has been received
21 from the tax to finance the capital and administrative costs for
22 acquisition, construction, improvement, and development of parks
23 and trails and to repay or retire at maturity the principal,
24 interest, and premium due on any bonds issued for the park and
25 trail improvements under subdivision 3. Any funds remaining
26 after completion of the park and trail improvements and
27 retirement or redemption of the bonds may be placed in the
28 general fund of the city. The tax imposed under subdivision 1
29 may expire at an earlier time if the city so determines by
30 ordinance.

31 [EFFECTIVE DATE.] This section is effective the day after
32 compliance by the governing body of the city of Bemidji with
33 Minnesota Statutes, section 645.021, subdivision 3.

34 Sec. 49. [CITY OF CLOQUET; TAXES AUTHORIZED.]

35 Subdivision 1. [SALES AND USE TAX.] Notwithstanding
36 Minnesota Statutes, section 477A.016, or any other provision of

1 law, ordinance, or city charter, if approved by the voters
2 pursuant to Minnesota Statutes, section 297A.99, the city of
3 Cloquet may impose by ordinance a sales and use tax of up to
4 one-half of one percent for the purpose specified in subdivision
5 3. The provisions of Minnesota Statutes, section 297A.99,
6 govern the imposition, administration, collection, and
7 enforcement of the tax authorized under this subdivision.

8 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
9 Minnesota Statutes, section 477A.016, or any other provision of
10 law, ordinance, or city charter, the city of Cloquet may impose
11 by ordinance, for the purposes specified in subdivision 3, an
12 excise tax of up to \$20 per motor vehicle, as defined by
13 ordinance, purchased or acquired from any person engaged within
14 the city in the business of selling motor vehicles at retail.

15 Subd. 3. [USE OF REVENUES.] Revenues received from taxes
16 authorized by subdivisions 1 and 2 must be used by the city to
17 pay the cost of collecting the taxes and to pay for the
18 following projects:

19 (1) construction and implementation of riverfront task
20 force park improvements including Veteran's Park;

21 (2) extension of water and sewer lines and other
22 improvements to city infrastructure necessary for construction
23 of a city industrial park; and

24 (3) costs associated with the closure of the Cloquet
25 Municipal Landfill.

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

31 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
32 under Minnesota Statutes, chapter 475, to pay capital and
33 administrative expenses for the improvements described in
34 subdivision 3 in an amount that does not exceed \$7,000,000. An
35 election to approve the bonds under Minnesota Statutes, section
36 475.58, is not required.

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

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

8 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
9 subdivisions 1 and 2 expire at the earlier of (1) 14 years, or
10 (2) when the city council determines that sufficient funds have
11 been received from the taxes to finance the capital and
12 administrative costs of the improvements described in
13 subdivision 3, plus the additional amount needed to pay the
14 costs related to issuance of bonds under subdivision 4,
15 including interest on the bonds. Any funds remaining after
16 completion of the project and retirement or redemption of the
17 bonds may be placed in the general fund of the city. The taxes
18 imposed under subdivisions 1 and 2 may expire at an earlier time
19 if the city so determines by ordinance.

20 [EFFECTIVE DATE.] This section is effective the day after
21 the governing body of the city of Cloquet and its chief clerical
22 officer timely comply with Minnesota Statutes, section 645.021,
23 subdivisions 2 and 3.

24 Sec. 50. [CITY OF CLEARWATER.]

25 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]
26 Notwithstanding Minnesota Statutes, section 477A.016, or any
27 other provision of law, ordinance, or city charter, pursuant to
28 the approval of the city voters at the next general election or
29 at a special election held for this purpose, the city of
30 Clearwater may impose by ordinance a sales and use tax of
31 one-half of one percent for the purposes specified in
32 subdivision 2. The provisions of Minnesota Statutes, section
33 297A.99, govern the imposition, administration, collection, and
34 enforcement of the tax authorized under this subdivision.

35 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
36 authorized by subdivision 1 must be used for the cost of

1 collecting and administering the tax and to pay all or part of
2 the capital or administrative costs of the development,
3 acquisition, construction, and improvement of parks, trails,
4 parkland, open space, and land and buildings for a regional
5 community and recreation center. Authorized expenses include,
6 but are not limited to, acquiring property, paying construction
7 expenses related to the development of these facilities and
8 improvements, and securing and paying debt service on bonds or
9 other obligations issued to finance acquisition, construction,
10 improvement, or development.

11 Subd. 3. [BONDS.] Pursuant to the approval of the city
12 voters to impose the tax authorized in subdivision 1, the city
13 of Clearwater may issue without an additional election general
14 obligation bonds of the city in an amount not to exceed
15 \$3,000,000 to pay capital and administrative expenses for the
16 acquisition, construction, improvement, and development of the
17 projects specified in subdivision 2. The debt represented by
18 the bonds must not be included in computing any debt limitations
19 applicable to the city, and the levy of taxes required by
20 Minnesota Statutes, section 475.61, to pay the principal or any
21 interest on the bonds must not be subject to any levy
22 limitations or be included in computing or applying any levy
23 limitation applicable to the city.

24 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
25 subdivision 1 expires when the Clearwater City Council
26 determines that the amount described in subdivision 3 has been
27 received from the tax to finance the capital and administrative
28 costs for acquisition, construction, improvement, and
29 development of the projects specified in subdivision 2 and to
30 repay or retire at maturity the principal, interest, and premium
31 due on any bonds issued for the projects under subdivision 3.
32 Any funds remaining after completion of the projects specified
33 in subdivision 2 and retirement or redemption of the bonds may
34 be placed in the general fund of the city. The tax imposed
35 under subdivision 1 may expire at an earlier time if the city so
36 determines by ordinance.

1 [EFFECTIVE DATE.] This section is effective the day after
2 compliance by the governing body of the city of Clearwater with
3 Minnesota Statutes, section 645.021, subdivision 3.

4 Sec. 51. [CITY OF MEDFORD; SALES AND USE TAX.]

5 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

6 Notwithstanding Minnesota Statutes, section 477A.016, or any
7 other provision of law, ordinance, or city charter, the city of
8 Medford may, by ordinance, impose a sales and use tax of
9 one-half of one percent for the purposes specified in
10 subdivision 2. Except as otherwise specifically provided, the
11 provisions of Minnesota Statutes, section 297A.99, govern the
12 imposition, administration, collection, and enforcement of the
13 tax authorized under this subdivision.

14 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
15 imposed under this section must be used to pay up to \$5,000,000
16 in costs related to improving the city's wastewater system and
17 wastewater treatment plant.

18 Subd. 3. [REFERENDUM.] If the Medford City Council
19 proposes to impose the tax authorized by this section, the
20 question of imposing the tax must be submitted to the voters at
21 the next general election. The tax may not be imposed unless
22 the majority of votes cast on the question of imposing the tax
23 are in the affirmative. The commissioner of revenue shall
24 prepare a suggested form of the question to be presented at the
25 election. The question must state that the sales tax revenues
26 would be pledged to pay any bonds issued under subdivision 4 and
27 that these bonds are guaranteed by the city's property taxes.

28 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
29 under Minnesota Statutes, chapter 475, to finance the capital
30 expenditure and improvement projects authorized under
31 subdivision 2. The total amount of bonds issued for the
32 projects listed in subdivision 2 may not exceed \$5,000,000 in
33 aggregate. An election to approve the bonds, as required under
34 Minnesota Statutes, section 475.58, is not required.

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

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

5 (d) The taxes authorized under this section may be pledged
6 to and used for the payment of the bonds and any bonds issued to
7 refund them only if the bonds and any refunding bonds are
8 general obligations of the city.

9 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
10 this section expire at the earlier of (1) 20 years after the
11 taxes are first imposed, or (2) when the city council first
12 determines that the amount of revenues raised to pay for the
13 projects under subdivision 2 shall meet or exceed the sum of
14 \$5,000,000, plus an amount equal to the costs related to the
15 issuance of bonds under subdivision 4. Any funds remaining
16 after completion of the projects and retirement or redemption of
17 the bonds may be placed in the general funds of the city.

18 [EFFECTIVE DATE.] This section is effective the day after
19 compliance with the governing body of the city of Medford with
20 Minnesota Statutes, section 645.021, subdivision 3.

21 Sec. 52. [CITY OF PARK RAPIDS.]

22 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]
23 Notwithstanding Minnesota Statutes, section 477A.016, or any
24 other provision of law, ordinance, or city charter, pursuant to
25 the approval of the city voters at the next general election or
26 at a special election held for this purpose, the city of Park
27 Rapids may impose by ordinance a sales and use tax of one
28 percent for the purposes specified in subdivision 2. The
29 provisions of Minnesota Statutes, section 297A.99, govern the
30 imposition, administration, collection, and enforcement of the
31 tax authorized under this subdivision.

32 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
33 authorized by subdivision 1 must be used for the cost of
34 collecting and administering the tax and to pay all or part of
35 the capital or administrative costs of the development,
36 acquisition, construction, and improvement of the following

1 projects:

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

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

12 (3) park improvements.

13 Authorized expenses include, but are not limited to,
14 acquiring property, paying construction expenses related to the
15 development of these facilities and improvements, and securing
16 and paying debt service on bonds or other obligations issued to
17 finance acquisition, construction, improvement, or development.

18 Subd. 3. [BONDS.] Pursuant to the approval of the city
19 voters to impose the tax authorized in subdivision 1, the city
20 of Park Rapids may issue without an additional election general
21 obligation bonds of the city to pay capital and administrative
22 expenses for the acquisition, construction, improvement, and
23 development of the projects specified in subdivision 2. The
24 debt represented by the bonds must not be included in computing
25 any debt limitations applicable to the city, and the levy of
26 taxes required by Minnesota Statutes, section 475.61, to pay the
27 principal or any interest on the bonds must not be subject to
28 any levy limitations or be included in computing or applying any
29 levy limitation applicable to the city.

30 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
31 subdivision 1 expires the earlier of July 1, 2023, or when the
32 city council determines that sufficient revenues have been
33 received to retire the bonds in subdivision 3. Any funds
34 remaining after completion of the projects specified in
35 subdivision 2 and retirement or redemption of the bonds may be
36 placed in the general fund of the city. The tax imposed under

1 subdivision 1 may expire at an earlier time if the city so
2 determines by ordinance.

3 [EFFECTIVE DATE.] This section is effective the day after
4 compliance by the governing body of the city of Park Rapids with
5 Minnesota Statutes, section 645.021, subdivision 3.

6 Sec. 53. [CITY OF PROCTOR; LODGING TAX.]

7 The city of Proctor may use up to ten percent of the
8 revenues received from the lodging tax imposed by the city under
9 Minnesota Statutes, section 469.190, for preservation of the
10 Caboose and the Baldwin Locomotive, Class M3 Mallet, Number 225,
11 donated to the city by the Duluth, Missabe and Iron Range
12 Railway Company, and the F-101F aircraft, serial number 59-0407,
13 donated to the city by the Department of the Air Force.

14 [EFFECTIVE DATE.] This section is effective the day
15 following final enactment.

16 Sec. 54. [ST. CLOUD AREA CITIES; SALES AND USE TAX
17 AUTHORIZED.]

18 Subdivision 1. [SALES AND USE TAX
19 AUTHORIZED.] Notwithstanding Minnesota Statutes, sections
20 297A.99, subdivision 3, paragraph (d), and 477A.016, or any
21 other provision of law, ordinance, or city charter, each of the
22 cities of St. Cloud, Sartell, Sauk Rapids, St. Augusta, St.
23 Joseph, and Waite Park may impose by ordinance a sales and use
24 tax at the rate of one-half of one percent for the purposes
25 specified in subdivision 2, pursuant to the approval of the
26 voters of that city at the next general election. The
27 provisions of Minnesota Statutes, section 297A.99, except
28 subdivision 3, paragraph (d), govern the imposition,
29 administration, collection, and enforcement of the tax
30 authorized under this subdivision.

31 Subd. 2. [USE OF REVENUES.] (a) Revenues received from the
32 tax authorized by subdivision 1 must be used for the cost of
33 collecting and administering the tax and to pay all or part of
34 the capital or administrative costs of the development,
35 acquisition, construction, improvement, and securing and paying
36 debt service on bonds or other obligations issued to finance the

1 following regional projects:

2 (1) St. Cloud Regional Airport;

3 (2) major transportation improvements;

4 (3) arts, libraries, and community centers;

5 (4) acquisition and improvement of park land and open

6 space; and

7 (5) St. Cloud Civic Center remodeling and expansion, not to

8 exceed \$20,000,000 from the amount allocated to St. Cloud under

9 subdivision 3, clause (2).

10 (b) The revenues returned to each city under subdivision 3

11 may only be used to fund projects that have been approved by

12 voters at the referendum authorizing this tax.

13 Subd. 3. [ALLOCATION OF SALES AND USE TAX REVENUES TO

14 CITIES.] Revenues collected from the taxes authorized by

15 subdivision 1, after paying the cost of collecting and

16 administering the tax, shall be allocated to cities imposing the

17 tax as follows:

18 (1) the first \$900,000 of revenues collected annually,

19 indexed annually to the Consumer Price Index, to the city of St.

20 Cloud for expansion of the St. Cloud Civic Center or the

21 construction and relocation of the Great River Regional Library;

22 and

23 (2) the revenues collected from the taxes imposed under

24 subdivision 1 that exceed the amount needed to meet the

25 obligations under clause (1) in any year shall be returned to

26 the cities pursuant to a joint powers agreement allocating sales

27 tax revenues among the cities.

28 Subd. 4. [ST. CLOUD BONDING AUTHORIZED.] Pursuant to the

29 approval of the city voters to impose the tax authorized in

30 subdivision 1, the city of St. Cloud may issue without an

31 additional election, general obligation bonds of the city not to

32 exceed \$80,000,000 to pay the costs of the projects specified in

33 subdivision 2. The debt represented by the bonds must not be

34 included in computing any debt limitations applicable to the

35 city, and the levy of taxes required by Minnesota Statutes,

36 section 475.61, to pay the principal or any interest on the

1 bonds must not be subject to any levy limitations or be included
2 in computing or applying any levy limitation applicable to the
3 city.

4 Subd. 5. [TERMINATION OF TAX.] The tax imposed in the city
5 of St. Cloud under subdivision 1 expires when the city council
6 determines that sufficient funds have been collected from the
7 tax to retire or redeem the bonds authorized under subdivision
8 3. The taxes imposed in the cities of Sartell, Sauk Rapids, St.
9 Augusta, St. Joseph, and Waite Park expire when the projects
10 authorized under subdivision 2 have been completed, but no later
11 than 20 years after the date the tax is first imposed. Any
12 funds remaining after completion of the projects specified in
13 subdivision 2 and retirement or redemption of the bonds may be
14 placed in the general fund of the city. The tax imposed under
15 subdivision 1 may expire at an earlier time if the city so
16 determines by ordinance.

17 [EFFECTIVE DATE.] This section is effective the day after
18 compliance by the governing body of the city with Minnesota
19 Statutes, section 645.021, subdivision 3, for sales and
20 purchases on and after January 1, 2006.

21 Sec. 55. [SALES AND USE TAX COMPLIANCE GAP.]

22 The commissioner must reduce the amount of the compliance
23 gap in the payment of sales and use tax by 25 percent before
24 December 31, 2007; and must reduce the compliance gap in the
25 payment of sales and use tax by an additional 25 percent before
26 December 31, 2009. The commissioner must establish an effective
27 method to allow individuals who purchase taxable products or
28 services and have not paid the tax at the time of the purchase
29 to pay the tax. The commissioner must advise residents of this
30 state how to pay sales and use tax.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 56. [WAITE PARK; LOCAL SALES TAX AUTHORIZED.]

34 Notwithstanding Minnesota Statutes, section 477A.016, or
35 any other provision of law, ordinance, or charter, the city of
36 Waite Park may impose a sales and use tax of one-half of one

1 percent pursuant to approval of the city voters at an election
2 held in November 2003.

3 Revenues from the tax imposed under this section must be
4 used for the purposes listed in Laws 2002, chapter 377, article
5 11, section 2, subdivision 2, and approved by the voters in the
6 November 2003 referendum. The amount of revenues collected from
7 this tax which may be spent for airport costs under Laws 2002,
8 chapter 377, article 11, section 2, subdivision 2, paragraph
9 (a), is limited to \$25,000 for each quarter in which the tax is
10 imposed with the remainder returned to the city to be spent on
11 the other allowed uses.

12 The tax under this section shall be imposed beginning July
13 1, 2005, and shall expire at the same time as the taxes imposed
14 under Laws 2002, chapter 377, article 11, section 2.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment, upon compliance of the governing body
17 of the city of Waite Park with Minnesota Statutes, section
18 645.021, subdivision 3.

19 Sec. 57. [CITY OF WASECA; SALES AND USE TAX.]

20 Subdivision 1. [SALES AND USE TAX
21 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
22 477A.016, or any other provision of law, ordinance, or city
23 charter, the city of Waseca may, by ordinance, impose a sales
24 and use tax of one-half of one percent for the purposes
25 specified in subdivision 2. The provisions of Minnesota
26 Statutes, section 297A.99, govern the imposition,
27 administration, collection, and enforcement of the tax
28 authorized under this subdivision.

29 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
30 imposed under this section must be used to pay for up to
31 \$1,820,000 in costs related to one or more of the following
32 capital projects as described in the referendum in subdivision 3:

- 33 (1) water quality and lake improvements;
34 (2) community center improvements;
35 (3) an industrial incubator; and
36 (4) downtown improvements, including a theatre and blighted

1 property acquisition.

2 Subd. 3. [REFERENDUM.] If the Waseca city council proposes
3 to impose the tax authorized by this section, the question of
4 imposing the tax must be submitted to the voters at the next
5 general election. The tax may not be imposed unless the
6 majority of votes cast on the question of imposing the tax are
7 in the affirmative. The specific projects to be funded by the
8 tax must be identified at least 90 days before the referendum is
9 held and included in the question presented at the election.
10 The question must state that the sales tax revenues would be
11 pledged to pay any bonds issued under subdivision 4 and that
12 these bonds are guaranteed by the city's property taxes.

13 Subd. 4. [BONDING AUTHORITY.] The city may issue bonds
14 under Minnesota Statutes, chapter 475, to finance the capital
15 expenditure and improvement projects authorized under
16 subdivision 2 and approved under subdivision 3. The total
17 amount of bonds issued for the projects approved in subdivision
18 3 may not exceed \$1,820,000 in aggregate. An election to
19 approve the bonds, as required under Minnesota Statutes, section
20 475.58, is not required.

21 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
22 this section expire at the earlier of (1) ten years after the
23 taxes are first imposed, or (2) when the city council first
24 determines that the amount of revenues raised is sufficient to
25 finance the capital projects approved under subdivision 3 and to
26 prepay or retire at maturity the principal, interest, and
27 premium due on any bonds issued under subdivision 4. Any funds
28 remaining after completion of the projects may be placed in the
29 general funds of the city.

30 [EFFECTIVE DATE.] This section is effective the day after
31 compliance with the governing body of the city of Waseca with
32 Minnesota Statutes, section 645.021, subdivision 3.

33 Sec. 58. [CITY OF WILLMAR.]

34 Subdivision 1. [SALES AND USE TAX AUTHORIZED.]

35 Notwithstanding Minnesota Statutes, section 477A.016, or any
36 other provision of law, ordinance, or city charter, pursuant to

1 the approval of the city voters at the general election held on
2 November 2, 2004, the city of Willmar may impose by ordinance a
3 sales and use tax of one-half of one percent for the purposes
4 specified in subdivision 2. The provisions of Minnesota
5 Statutes, section 297A.99, govern the imposition,
6 administration, collection, and enforcement of the tax
7 authorized under this subdivision.

8 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
9 authorized by subdivision 1 must be used for the cost of
10 collecting and administering the tax and to pay all or part of
11 the capital or administrative costs of the development,
12 acquisition, construction, and improvement of the following
13 projects:

14 (1) completion and expansion of the airport/industrial
15 park;

16 (2) hiking and biking trails;

17 (3) connection of the Blue Line and Civic Center buildings;

18 and

19 (4) purchase of that portion of the Willmar Regional
20 Treatment Center campus located west of Marked Trunk Highway 71.

21 Authorized expenses include, but are not limited to,
22 acquiring property, paying construction expenses related to the
23 development of these facilities and improvements, and securing
24 and paying debt service on bonds or other obligations issued to
25 finance acquisition, construction, improvement, or development
26 of these projects.

27 Subd. 3. [BONDS.] The city of Willmar may issue without an
28 additional election general obligation bonds of the city in an
29 amount not to exceed \$8,000,000 to pay capital and
30 administrative expenses for the acquisition, construction,
31 improvement, and development of the projects listed in
32 subdivision 2. The debt represented by the bonds must not be
33 included in computing any debt limitations applicable to the
34 city, and the levy of taxes required by Minnesota Statutes,
35 section 475.61, to pay the principal or any interest on the
36 bonds, and must not be subject to any levy limitations or be

1 included in computing or applying any levy limitation applicable
2 to the city.

3 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
4 subdivision 1 expires at the later of (1) seven years after the
5 date the tax is first imposed, or (2) when the Willmar City
6 Council determines that the amount described in subdivision 3
7 has been received from the tax to finance the capital and
8 administrative costs, and to repay or retire at maturity the
9 principal, interest, and premium due on any bonds issued under
10 subdivision 3. Any funds remaining after completion of the
11 projects listed in subdivision 2 and retirement or redemption of
12 the bonds may be placed in the general fund of the city. The
13 tax imposed under subdivision 1 may expire at an earlier time if
14 the city so determines by ordinance.

15 [EFFECTIVE DATE.] This section is effective the day after
16 compliance by the governing body of the city of Willmar with
17 Minnesota Statutes, section 645.021, subdivision 3.

18 Sec. 59. [CITY OF WINONA.]

19 Subdivision 1. [SALES AND USE TAX
20 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
21 477A.016, or any other provision of law, ordinance, or city
22 charter, if approved by the voters pursuant to Minnesota
23 Statutes, section 297A.99, the city of Winona may impose by
24 ordinance a sales and use tax of one-half of one percent for the
25 purposes specified in subdivision 3. The provisions of
26 Minnesota Statutes, section 297A.99, govern the imposition,
27 administration, collection, and enforcement of the tax
28 authorized under this subdivision.

29 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
30 Minnesota Statutes, section 477A.016, or any other provision of
31 law, ordinance, or city charter, the city of Winona may impose
32 by ordinance, for the purposes specified in subdivision 3, an
33 excise tax of up to \$20 per motor vehicle, as defined by
34 ordinance, purchased or acquired from any person engaged within
35 the city in the business of selling motor vehicles at retail.

36 Subd. 3. [USE OF REVENUES.] Revenues received from the

1 taxes authorized by subdivisions 1 and 2 must be dedicated to
2 pay all or part of the capital or administrative costs of
3 transportation projects or transportation improvements located
4 within the city, and to pay the cost of collecting and
5 administering the tax. Authorized expenses include, but are not
6 limited to, acquiring property and paying construction and
7 engineering expenses related to the improvements.

8 Subd. 4. [TERMINATION OF TAX.] The taxes imposed under
9 subdivisions 1 and 2 expire when the Winona City Council
10 determines that sufficient funds have been received from the tax
11 to pay the costs of the transportation projects or improvements
12 to which the tax was dedicated or ten years after imposition of
13 the tax, whichever is earlier. Any funds remaining after
14 completion of the transportation project or transportation
15 improvements may be placed in a capital project fund of the city.
16 The tax imposed under subdivisions 1 and 2 may expire at an
17 earlier time if the city so determines by ordinance.

18 [EFFECTIVE DATE.] This section is effective the day after
19 compliance by the governing body of the city of Winona with
20 Minnesota Statutes, section 645.021, subdivision 3.

21 Sec. 60. [USE TAX ENFORCEMENT.]

22 The commissioner shall establish a use tax enforcement unit
23 within the Department of Revenue to conduct direct compliance
24 activities that will increase payment of use tax. The
25 commissioner shall inform and educate taxpayers about the
26 requirement to pay use tax. The commissioner shall also conduct
27 an information campaign targeted to higher income individuals,
28 attorneys, accountants, and tax preparers to advise individuals
29 and tax professionals of the obligation to report and pay use
30 tax.

31 [EFFECTIVE DATE.] This section is effective July 1, 2005.

32 Sec. 61. [REPEALER.]

33 Minnesota Statutes 2004, section 297A.99, subdivision 13,
34 is repealed effective July 1, 2005.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

ARTICLE ..

PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 103C.331, subdivision 16, is amended to read:

Subd. 16. [BUDGET.] The district board shall annually present a budget consisting of an itemized statement of district expenses for the ensuing calendar year to the boards of county commissioners of the counties in which the district is located. The county boards may levy an annual tax on all taxable real property in the district or annually authorize district levies, as provided in section 103C.332, for the amount that the boards determine is necessary to meet the requirements of the district. The amount levied shall be collected and distributed to the district as prescribed by chapter 276. The amount may be spent by the district board for a district purpose authorized by law.

Sec. 2. [103C.332] [DISTRICT FUNDS AND LEVIES.]

Subdivision 1. [GENERAL FUND.] (a) A district shall create a general fund consisting of:

(1) an ad valorem tax levy, authorized by a county board under section 103C.331, subdivision 16, that may not exceed 0.048 percent of taxable market value, or \$750,000, whichever is less; and

(2) revenue received from the county for administration of

1 the district under section 103C.331, subdivision 16.

2 (b) The money in the fund shall be used for general
3 administrative expenses. The supervisors may make an annual
4 levy for the general fund as provided in subdivision 6.

5 Subd. 2. [IMPLEMENTATION AND PROJECT MATCH FUND.] A
6 district shall create an implementation fund to supply funds for
7 the implementation of the projects of the district or to match
8 grants from outside sources consisting of:

9 (1) ad valorem tax levies or fees levied or to be levied
10 for the implementation of projects of the district or to match
11 grants, authorized by the county board under section 103C.331,
12 subdivision 16; and

13 (2) revenue received from the county under section
14 103C.331, subdivision 16, for the implementation of projects of
15 the district or to match grants.

16 Subd. 3. [BUDGET HEARING.] (a) Before adopting a budget
17 when levies are authorized by the county board under section
18 103C.331, subdivision 16, the supervisors shall hold a public
19 hearing on the proposed budget.

20 (b) The supervisors shall publish a notice of the hearing
21 with a summary of the proposed budget in one or more newspapers
22 of general circulation in each county consisting of part of the
23 district. The notice and summary shall be published once each
24 week for two successive weeks before the hearing. The last
25 publication shall be at least two days before the hearing.

26 Subd. 4. [BUDGET ADOPTION.] On or before September 15 of
27 each year, the supervisors shall adopt a budget for the next
28 year and decide on the total amount necessary to be raised from
29 ad valorem tax levies to meet the district's budget.

30 Subd. 5. [CERTIFICATION TO AUDITOR.] After adoption of the
31 budget and no later than September 1, the district shall certify
32 to the auditor of each county within the district, the county's
33 share of an authorized tax, which shall be an amount bearing the
34 same proportion to the total levy as the net tax capacity of the
35 area of the county within the district bears to the net tax
36 capacity of the entire district. The maximum amount of a levy

1 may not exceed the amount provided in subdivisions 1 and 2.

2 Subd. 6. [LEVY.] The auditor of each county in the
3 district shall add the amount of an authorized levy made by the
4 supervisors to the other tax levies on the property of the
5 county within the district for collection by the county
6 treasurer with other taxes. The county treasurer shall make
7 settlement of the taxes collected with the treasurer of the
8 district in the same manner as other taxes are distributed to
9 the other political subdivisions. The levy authorized by this
10 section is in addition to other county taxes authorized by law.

11 Sec. 3. Minnesota Statutes 2004, section 123B.53, is
12 amended by adding a subdivision to read:

13 Subd. 1a. [DEBT SERVICE LEVIES; CHOICE OF TAX BASE.] A
14 school board may by resolution elect to levy the debt service
15 for a bond issued after July 1, 2005, against the referendum
16 market value of the district, as defined under section 126C.01,
17 subdivision 3, rather than the net tax capacity of the district,
18 except that for purposes of this subdivision, noncommercial 4c(1)
19 property under section 273.13 is valued at its market value. A
20 resolution to levy against referendum market value must be
21 passed at an open meeting of the board, at least 60 days prior
22 to the referendum election.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 4. Minnesota Statutes 2004, section 123B.53,
26 subdivision 4, is amended to read:

27 Subd. 4. [DEBT SERVICE EQUALIZATION REVENUE.] (a) The debt
28 service equalization revenue of a district equals the sum of the
29 first tier debt service equalization revenue and the second tier
30 debt service equalization revenue.

31 (b) The first tier debt service equalization revenue of a
32 district equals the greater of zero or the eligible debt service
33 revenue minus the amount raised by a levy of 15 percent times
34 the adjusted net tax capacity of the district minus the second
35 tier debt service equalization revenue of the district.

36 (c) The second tier debt service equalization revenue of a

1 district equals the greater of zero or the eligible debt service
2 revenue, excluding alternative facilities levies under section
3 123B.59, subdivision 5, minus the amount raised by a levy of 25
4 percent times the adjusted net tax capacity of the district.

5 (d) Debt service equalization revenue is determined as
6 provided under this subdivision regardless of whether the debt
7 service is being levied against net tax capacity or referendum
8 market value.

9 [EFFECTIVE DATE.] This section is effective July 1, 2005.

10 Sec. 5. Minnesota Statutes 2004, section 123B.55, is
11 amended to read:

12 123B.55 [DEBT SERVICE LEVY.]

13 Subdivision 1. [LEVY AMOUNT.] A district may levy the
14 amounts necessary to make payments for bonds issued and for
15 interest on them, including the bonds and interest on them,
16 issued as authorized by Minnesota Statutes 1974, section
17 275.125, subdivision 3, clause (7)(C); and the amounts necessary
18 for repayment of debt service loans and capital loans, minus the
19 amount of debt service equalization revenue of the district.

20 Subd. 2. [AID APPORTIONMENT.] A district's debt service
21 equalization aid shall be apportioned between the net tax
22 capacity debt service levy and the referendum market value debt
23 service levy in the same proportions as eligible debt service
24 revenues resulting from bonds issued against net tax capacity
25 are to eligible debt service revenues resulting from bonds
26 issued against referendum market value.

27 Subd. 3. [NET TAX CAPACITY DEBT SERVICE LEVY.] The levy
28 amount determined under subdivision 1, plus the eligible debt
29 service revenues resulting from bonds issued against net tax
30 capacity, minus the debt service equalization aid apportioned to
31 the net tax capacity debt service levy, must be levied against
32 the net tax capacity of the district as determined under section
33 273.13 and must be included with the other net tax capacity
34 levies certified to the county auditor under section 275.07.

35 Subd. 4. [REFERENDUM MARKET VALUE DEBT SERVICE LEVY.] The
36 eligible debt service revenues resulting from bonds issued

1 against referendum market value, minus the debt service
2 equalization aid apportioned to the referendum market value debt
3 service levy, must be levied against the referendum market value
4 of the district as defined in section 126C.01, subdivision 3,
5 and must be separately certified to the county auditor under
6 section 275.07.

7 [EFFECTIVE DATE.] This section is effective beginning with
8 taxes payable in 2006.

9 Sec. 6. Minnesota Statutes 2004, section 123B.71,
10 subdivision 9, is amended to read:

11 Subd. 9. [INFORMATION REQUIRED.] A school board proposing
12 to construct a facility described in subdivision 8 shall submit
13 to the commissioner a proposal containing information including
14 at least the following:

15 (1) the geographic area and population to be served,
16 preschool through grade 12 student enrollments for the past five
17 years, and student enrollment projections for the next five
18 years;

19 (2) a list of existing facilities by year constructed,
20 their uses, and an assessment of the extent to which alternate
21 facilities are available within the school district boundaries
22 and in adjacent school districts;

23 (3) a list of the specific deficiencies of the facility
24 that demonstrate the need for a new or renovated facility to be
25 provided, and a list of the specific benefits that the new or
26 renovated facility will provide to the students, teachers, and
27 community users served by the facility;

28 (4) the relationship of the project to any priorities
29 established by the school district, educational cooperatives
30 that provide support services, or other public bodies in the
31 service area;

32 (5) a specification of how the project will increase
33 community use of the facility and whether and how the project
34 will increase collaboration with other governmental or nonprofit
35 entities;

36 (6) a description of the project, including the

1 specification of site and outdoor space acreage and square
2 footage allocations for classrooms, laboratories, and support
3 spaces; estimated expenditures for the major portions of the
4 project; and the dates the project will begin and be completed;

5 (7) a specification of the source of financing the project;
6 the scheduled date for a bond issue or school board action; a
7 schedule of payments, including debt service equalization aid;
8 whether the debt service will be levied against net tax capacity
9 or referendum market value; and the effect of a bond issue on
10 local property taxes by the property class and valuation;

11 (8) an analysis of how the proposed new or remodeled
12 facility will affect school district operational or
13 administrative staffing costs, and how the district's operating
14 budget will cover any increased operational or administrative
15 staffing costs;

16 (9) a description of the consultation with local or state
17 road and transportation officials on school site access and
18 safety issues, and the ways that the project will address those
19 issues;

20 (10) a description of how indoor air quality issues have
21 been considered and a certification that the architects and
22 engineers designing the facility will have professional
23 liability insurance;

24 (11) as required under section 123B.72, for buildings
25 coming into service after July 1, 2002, a certification that the
26 plans and designs for the extensively renovated or new
27 facility's heating, ventilation, and air conditioning systems
28 will meet or exceed code standards; will provide for the
29 monitoring of outdoor airflow and total airflow of ventilation
30 systems; and will provide an indoor air quality filtration
31 system that meets ASHRAE standard 52.1;

32 (12) a specification of any desegregation requirements that
33 cannot be met by any other reasonable means; and

34 (13) a specification, if applicable, of how the facility
35 will utilize environmentally sustainable school facility design
36 concepts.

1 [EFFECTIVE DATE.] This section is effective July 1, 2005.

2 Sec. 7. Minnesota Statutes 2004, section 126C.17,
3 subdivision 6, is amended to read:

4 Subd. 6. [REFERENDUM EQUALIZATION LEVY.] (a) For fiscal
5 year 2003 ~~and later~~ through 2007, a district's referendum
6 equalization levy equals the sum of the first tier referendum
7 equalization levy and the second tier referendum equalization
8 levy.

9 (b) A district's first tier referendum equalization levy
10 equals the district's first tier referendum equalization revenue
11 times the lesser of one or the ratio of the district's
12 referendum market value per resident marginal cost pupil unit to
13 \$476,000.

14 (c) A district's second tier referendum equalization levy
15 equals the district's second tier referendum equalization
16 revenue times the lesser of one or the ratio of the district's
17 referendum market value per resident marginal cost pupil unit to
18 \$270,000.

19 Sec. 8. Minnesota Statutes 2004, section 126C.17, is
20 amended by adding a subdivision to read:

21 Subd. 6a. [LOCAL EFFORT LEVEL.] (a) For fiscal year 2008
22 and later, a district's local effort level equals the sum of the
23 first tier referendum equalization level and the second tier
24 referendum local effort level.

25 (b) A district's first tier referendum local effort level
26 equals the district's first tier referendum equalization revenue
27 times the lesser of one or the ratio of the district's
28 referendum market value per resident marginal cost pupil unit to
29 \$476,000.

30 (c) A district's second tier referendum local effort level
31 equals the district's second tier referendum equalization
32 revenue times the lesser of one or the ratio of the district's
33 referendum market value per resident marginal cost pupil unit to
34 \$270,000.

35 Sec. 9. Minnesota Statutes 2004, section 126C.17, is
36 amended by adding a subdivision to read:

1 Subd. 6b. [LOCAL EFFORT REVENUE.] (a) For fiscal years
2 2008 and later, a school district's local effort revenue is
3 equal to its local effort level for that year.

4 (b) For referenda authorized under subdivision 9 prior to
5 June 30, 2006, a school district's local effort revenue must be
6 levied against the district's referendum market value according
7 to subdivision 10.

8 (c) For referenda authorized or renewed under subdivision 9
9 after June 30, 2006, that have been approved to be levied
10 against referendum market value, the local effort revenue must
11 be levied against the district's referendum market value
12 according to subdivision 10.

13 (d) For referenda authorized or renewed under subdivision 9
14 after June 30, 2006, that have been approved to be imposed as a
15 school referendum tax according to section 290.0621, the local
16 effort revenue must be raised as a tax against income liability
17 according to section 290.0621.

18 Sec. 10. Minnesota Statutes 2004, section 126C.17,
19 subdivision 7, is amended to read:

20 Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) For fiscal
21 years 2005 through 2007, a district's referendum equalization
22 aid equals the difference between its referendum equalization
23 revenue and levy. For fiscal years 2008 and later, a district's
24 referendum equalization aid equals the difference between its
25 referendum equalization revenue and its local effort revenue.

26 (b) If a district's actual levy for first or second tier
27 referendum equalization revenue in fiscal years 2005 through
28 2007 is less than its maximum levy limit for that tier, aid
29 shall be proportionately reduced. If a district's actual local
30 effort revenue for first or second tier referendum equalization
31 revenue in fiscal years 2008 and later is less than its maximum
32 local effort revenue limit for that tier, aid shall be
33 proportionately reduced.

34 (c) Notwithstanding paragraph (a), the referendum
35 equalization aid for a district, where the referendum
36 equalization aid under paragraph (a) exceeds 90 percent of the

1 referendum revenue, must not exceed 18.6 percent of the formula
 2 allowance times the district's resident marginal cost pupil
 3 units. For fiscal years 2005 through 2007, a district's
 4 referendum levy is increased by the amount of any reduction in
 5 referendum aid under this paragraph. For fiscal years 2008 and
 6 later, a district's local effort level is increased by the
 7 amount of any reduction in referendum aid under this paragraph.

8 Sec. 11. Minnesota Statutes 2004, section 126C.17,
 9 subdivision 9, is amended to read:

10 Subd. 9. [REFERENDUM REVENUE.] (a) The revenue authorized
 11 by section 126C.10, subdivision 1, may be increased in the
 12 amount approved by the voters of the district at a referendum
 13 called for the purpose. The referendum may be called by the
 14 board or shall be called by the board upon written petition of
 15 qualified voters of the district. The referendum must be
 16 conducted one or two calendar years before the increased levy
 17 authority, if approved, first becomes payable. Only one
 18 election to approve an increase may be held in a calendar year.
 19 Unless the referendum is conducted by mail under paragraph (g),
 20 the referendum must be held on the first Tuesday after the first
 21 Monday in November. The ballot must state the maximum amount of
 22 the increased revenue per resident marginal cost pupil unit, ~~the~~
 23 ~~estimated-referendum-tax-rate-as-a-percentage-of-referendum~~
 24 ~~market-value-in-the-first-year-it-is-to-be-levied, and that the~~
 25 ~~revenue-must-be-used-to-finance-school-operations.~~ The ballot
 26 may state a schedule, determined by the board, of increased
 27 revenue per resident marginal cost pupil unit that differs from
 28 year to year over the number of years for which the increased
 29 revenue is authorized. ~~If the ballot contains a schedule~~
 30 ~~showing different amounts, it must also indicate the estimated~~
 31 ~~referendum-tax-rate-as-a-percent-of-referendum-market-value-for~~
 32 ~~the-amount-specified-for-the-first-year-and-for-the-maximum~~
 33 ~~amount-specified-in-the-schedule.~~ The ballot, including a
 34 ballot on the question to revoke or reduce the increased revenue
 35 amount under paragraph (c), must abbreviate the term "per
 36 resident marginal cost pupil unit" as "per pupil unit." The

1 ballot may state that existing referendum ~~levy~~ taxing authority
2 is expiring. In this case, if the referendum authority is based
3 on a property tax levy, the ballot may also compare the proposed
4 levy authority to the existing expiring levy authority, and
5 express the proposed increase as the amount, if any, over the
6 expiring referendum levy authority. The ballot must designate
7 the specific number of years, not to exceed ten, for which the
8 referendum authorization applies. The notice required under
9 section 275.60 may be modified to read, in cases of renewing
10 existing levies:

11 "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING
12 FOR A PROPERTY TAX INCREASE."

13 If the referendum is on a proposed income tax under section
14 290.0621, the notice must read:

15 "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING
16 FOR AN INCOME TAX INCREASE."

17 The ballot may contain a textual portion with the
18 information required in this subdivision and a question stating
19 substantially the following:

20 "Shall the increase in the revenue proposed by (petition
21 to) the board of, School District No. ..., be approved?"

22 If approved, an amount equal to the approved revenue per
23 resident marginal cost pupil unit times the resident marginal
24 cost pupil units for the school year beginning in the year after
25 the levy is certified or the income tax is imposed shall be
26 authorized for certification for the number of years approved,
27 if applicable, or until revoked or reduced by the voters of the
28 district at a subsequent referendum. A referendum may be
29 conducted on the question of converting an existing referendum
30 property tax levy to a school referendum income tax to be
31 imposed under section 290.0621.

32 (b) The board must prepare and deliver by first class mail
33 at least 15 days but no more than 30 days before the day of the
34 referendum to each taxpayer a notice of the referendum and the
35 proposed revenue increase. The board need not mail more than
36 one notice to any taxpayer. For the purpose of giving mailed

1 notice under this subdivision for a referendum based on a
2 property tax levy, owners must be those shown to be owners on
3 the records of the county auditor or, in any county where tax
4 statements are mailed by the county treasurer, on the records of
5 the county treasurer. Every property owner whose name does not
6 appear on the records of the county auditor or the county
7 treasurer is deemed to have waived this mailed notice unless the
8 owner has requested in writing that the county auditor or county
9 treasurer, as the case may be, include the name on the records
10 for this purpose. The notice for a referendum based on a
11 property tax levy must project the anticipated amount of tax
12 increase in annual dollars ~~and annual percentage~~ for typical
13 residential homesteads, agricultural homesteads, apartments, and
14 commercial-industrial property within the school district. For
15 the purpose of giving mailed notice under this subdivision, for
16 a referendum based on an income tax under section 290.0621,
17 taxpayers must be those shown to be domiciled in the school
18 district as indicated on the space which must be provided for
19 this information on the Minnesota individual income tax form for
20 the taxable year ending before the calendar year when the
21 referendum is conducted. Every individual whose domicile is in
22 the school district whose name does not appear on the income tax
23 return as having a domicile in the district is deemed to have
24 waived this mailed notice unless the individual has requested in
25 writing that the county auditor or county treasurer, as the case
26 may be, include the individual's name on the records for this
27 purpose. The notice must project the anticipated amount of tax
28 increase in annual dollars and annual percentage for typical
29 family incomes within the school district.

30 The notice for a referendum based on a property tax levy
31 may state that an existing referendum levy is expiring and
32 project the anticipated amount of increase over the existing
33 referendum levy in the first year, if any, in annual dollars and
34 ~~annual percentage~~ for typical residential homesteads,
35 agricultural homesteads, apartments, and commercial-industrial
36 property within the district.

1 The notice must include the following statement: "Passage
2 of this referendum will result in an increase in your property
3 taxes." However, in cases of renewing existing levies, the
4 notice may include the following statement: "Passage of this
5 referendum may result in an increase in your property taxes."

6 The notice for a referendum based on income tax may state
7 that an existing income tax referendum authority is expiring and
8 project the anticipated amount of increase over the existing
9 referendum levy in the first year, if any, in annual dollars and
10 annual percentage for typical family incomes within the district.

11 The notice must include the following statement: "Passage
12 of this referendum will result in an increase in your personal
13 income taxes." However, in cases of renewing existing income
14 tax referendum authorities, the notice may include the following
15 statement: "Passage of this referendum may result in an
16 increase in your personal income taxes."

17 (c) A referendum on the question of revoking or reducing
18 the increased revenue amount authorized pursuant to paragraph
19 (a) may be called by the board and shall be called by the board
20 upon the written petition of qualified voters of the district.
21 A referendum to revoke or reduce the revenue amount must state
22 the amount per resident marginal cost pupil unit by which the
23 authority is to be reduced. Revenue authority approved by the
24 voters of the district pursuant to paragraph (a) must be
25 available to the school district at least once before it is
26 subject to a referendum on its revocation or reduction for
27 subsequent years. Only one revocation or reduction referendum
28 may be held to revoke or reduce referendum revenue for any
29 specific year and for years thereafter.

30 (d) A petition authorized by paragraph (a) or (c) is
31 effective if signed by a number of qualified voters in excess of
32 15 percent of the registered voters of the district on the day
33 the petition is filed with the board. A referendum invoked by
34 petition must be held on the date specified in paragraph (a).

35 (e) The approval of 50 percent plus one of those voting on
36 the question is required to pass a referendum authorized by this

1 subdivision.

2 (f) At least 15 days before the day of the referendum, the
3 district must submit a copy of the notice required under
4 paragraph (b) to the commissioner and to the county auditor of
5 each county in which the district is located. Within 15 days
6 after the results of the referendum have been certified by the
7 board, or in the case of a recount, the certification of the
8 results of the recount by the canvassing board, the district
9 must notify the commissioner of the results of the referendum.

10 [EFFECTIVE DATE.] This section is effective for referenda
11 conducted on or after July 1, 2005.

12 Sec. 12. Minnesota Statutes 2004, section 168A.05,
13 subdivision 1b, is amended to read:

14 Subd. 1b. [MANUFACTURED HOME; EXEMPTION.] The provisions
15 of subdivision 1a shall not apply to (1) a manufactured home
16 which is sold or otherwise disposed of pursuant to section
17 504B.271 by the owner of a manufactured home park as defined in
18 section 327.14, subdivision 3, or (2) a manufactured home which
19 is sold pursuant to section 504B.265 by the owner of a
20 manufactured home park. The department shall not require a
21 manufactured home park owner to satisfy the delinquent or
22 current year's personal property taxes owed as condition of the
23 title transfer to the park owner.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment.

26 Sec. 13. [174.11] [COMMISSIONER TO NOTIFY COUNTY AUDITOR
27 OF PROPERTY ACQUISITIONS.]

28 Upon acquisition of any taxable real property, the
29 commissioner must notify the county auditor of the county where
30 the property is located that the property has been acquired.

31 Sec. 14. Minnesota Statutes 2004, section 272.02,
32 subdivision 22, is amended to read:

33 Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] All real and
34 personal property of a wind energy conversion system as defined
35 in section 272.029, subdivision 2, is exempt from property tax
36 except that the land on which the property is located remains

1 taxable. If approved by the county where the property is
2 located, the value of the land on which the wind energy
3 conversion system is located shall not be increased or
4 decreased, but shall be valued in the same manner as similar
5 land that has not been improved with a wind energy conversion
6 system. The land shall be classified based on the most probable
7 use of the property if it were not improved with a wind energy
8 conversion system.

9 [EFFECTIVE DATE.] This section is effective for assessment
10 year 2005 and thereafter, for taxes payable in 2006 and
11 thereafter.

12 Sec. 15. Minnesota Statutes 2004, section 272.02,
13 subdivision 47, is amended to read:

14 Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY;
15 PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a),
16 attached machinery and other personal property which is part of
17 an electrical generating facility that meets the requirements of
18 this subdivision is exempt. At the time of construction, the
19 facility must:

20 (1) be designed to utilize poultry litter as a primary fuel
21 source; and

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

26 Construction of the facility must be commenced after
27 January 1, 2003, and before December 31, ~~2003~~ 2005. Property
28 eligible for this exemption does not include electric
29 transmission lines and interconnections or gas pipelines and
30 interconnections appurtenant to the property or the facility.

31 [EFFECTIVE DATE.] This section is effective for taxes
32 levied in 2005, payable in 2006, and thereafter.

33 Sec. 16. Minnesota Statutes 2004, section 272.02,
34 subdivision 56, is amended to read:

35 Subd. 56. [ELECTRIC GENERATION FACILITY; PERSONAL
36 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),

1 attached machinery and other personal property which is part of
2 a combined-cycle combustion-turbine electric generation facility
3 that exceeds 550 300 megawatts of installed capacity and that
4 meets the requirements of this subdivision is exempt. At the
5 time of construction, the facility must:

6 (1) be designed to utilize natural gas as a primary fuel;

7 (2) not be owned by a public utility as defined in section
8 216B.02, subdivision 4;

9 (3) be located within five miles of an existing natural gas
10 pipeline and within four miles of an existing electrical
11 transmission substation;

12 (4) be located outside the metropolitan area as defined
13 under section 473.121, subdivision 2; and

14 (5) be designed to provide energy and ancillary services
15 and have received a certificate of need under section 216B.243.

16 (b) Construction of the facility must be commenced after
17 January 1, 2004, and before January 1, 2007, except that
18 property eligible for this exemption includes any expansion of
19 the facility that also meets the requirements of paragraph (a),
20 clauses (1) to (5), without regard to the date that construction
21 of the expansion commences. Property eligible for this
22 exemption does not include electric transmission lines and
23 interconnections or gas pipelines and interconnections
24 appurtenant to the property or the facility.

25 [EFFECTIVE DATE.] This section is effective for taxes
26 levied in 2005, payable in 2006, and thereafter.

27 Sec. 17. Minnesota Statutes 2004, section 272.02, is
28 amended by adding a subdivision to read:

29 Subd. 68. [ELECTRIC GENERATION FACILITY; PERSONAL
30 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
31 attached machinery and other personal property which is part of
32 a simple-cycle combustion-turbine electric generation facility
33 that exceeds 290 megawatts of installed capacity and that meets
34 the requirements of this subdivision is exempt. At the time of
35 construction, the facility must:

36 (1) be designed to utilize natural gas as a primary fuel;

1 (2) not be owned by a public utility as defined in section
2 216B.02, subdivision 4;

3 (3) be located within five miles of an existing natural gas
4 pipeline and within five miles of an existing electrical
5 transmission substation;

6 (4) be located outside the metropolitan area as defined
7 under section 473.121, subdivision 2;

8 (5) be designed to provide peaking capacity energy and
9 ancillary services and have satisfied all of the requirements
10 under section 216B.243; and

11 (6) have received, by resolution, the approval from the
12 governing body of the county, city, and school district in which
13 the proposed facility is to be located for the exemption of
14 personal property under this subdivision.

15 (b) Construction of the facility must be commenced after
16 January 1, 2005, and before January 1, 2009. Property eligible
17 for this exemption does not include electric transmission lines
18 and interconnections or gas pipelines and interconnections
19 appurtenant to the property or the facility.

20 [EFFECTIVE DATE.] This section is effective for assessment
21 year 2006, taxes payable in 2007, and thereafter.

22 Sec. 18. Minnesota Statutes 2004, section 272.02, is
23 amended by adding a subdivision to read:

24 Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL
25 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
26 machinery and other personal property which is part of a
27 simple-cycle, combustion-turbine electric generation facility
28 that exceeds 300 megawatts of installed capacity and that meets
29 the requirements of this subdivision is exempt. At the time of
30 the construction, the facility must:

31 (1) be designed to utilize natural gas as a primary fuel;

32 (2) be owned by a public utility as defined in section
33 216B.02, subdivision 4, and be located at or interconnected with
34 an existing generating plant of the utility;

35 (3) be designed to provide peaking, emergency backup, or
36 contingency services;

1 (4) satisfy a resource need identified in an approved
2 integrated resource plan filed under section 216B.2422; and
3 (5) have received, by resolution, the approval from the
4 governing body of the county and the city for the exemption of
5 personal property under this subdivision.

6 Construction of the facility must be commenced after
7 January 1, 2004, and before January 1, 2006. Property eligible
8 for this exemption does not include electric transmission lines
9 and interconnections or gas pipelines and interconnections
10 appurtenant to the property or the facility.

11 [EFFECTIVE DATE.] This section is effective beginning with
12 assessment year 2005, for taxes payable in 2006, and thereafter.

13 Sec. 19. Minnesota Statutes 2004, section 272.02, is
14 amended by adding a subdivision to read:

15 Subd. 70. [ELECTRIC GENERATION FACILITY PERSONAL
16 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and
17 section 453.54, subdivision 20, attached machinery and other
18 personal property which is part of an electric generation
19 facility that exceeds 150 megawatts of installed capacity and
20 meets the requirements of this subdivision is exempt. At the
21 time of construction, the facility must:

22 (1) be designed to utilize natural gas as a primary fuel;

23 (2) be owned and operated by a municipal power agency as
24 defined in section 453.52, subdivision 8;

25 (3) have received the certificate of need under section
26 216B.243;

27 (4) be located outside the metropolitan area as defined
28 under section 473.121, subdivision 2; and

29 (5) be designed to be a combined-cycle facility, although
30 initially the facility will be operated as a simple-cycle
31 combustion turbine.

32 (b) To qualify under this subdivision, an agreement must be
33 negotiated between the municipal power agency and the host city,
34 for a payment in lieu of property taxes to the host city.

35 (c) Construction of the facility must be commenced after
36 January 1, 2004, and before January 1, 2006. Property eligible

1 for this exemption does not include electric transmission lines
2 and interconnections or gas pipelines and interconnections
3 appurtenant to the property or the facility.

4 [EFFECTIVE DATE.] This section is effective for assessment
5 year 2005, taxes payable in 2006, and thereafter.

6 Sec. 20. Minnesota Statutes 2004, section 272.02, is
7 amended by adding a subdivision to read:

8 Subd. 71. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL
9 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
10 attached machinery and other personal property which is a part
11 of an electric generation facility, including remote boilers
12 that comprise part of the district heating system, generating up
13 to 30 megawatts of installed capacity and that meets the
14 requirements of this subdivision is exempt. At the time of
15 construction, the facility must:

16 (1) be designed to utilize a minimum 90 percent waste
17 biomass as a fuel;

18 (2) not be owned by a public utility as defined in section
19 216B.02, subdivision 4;

20 (3) be located within a city of the first class and have
21 its primary location at a former garbage transfer station; and

22 (4) be designed to have capability to provide baseload
23 energy and district heating.

24 (b) Construction of the facility must be commenced after
25 January 1, 2004, and before January 1, 2008. Property eligible
26 for this exemption does not include electric transmission lines
27 and interconnections or gas pipelines and interconnections
28 appurtenant to the property or the facility.

29 [EFFECTIVE DATE.] This section is effective for assessment
30 year 2005, taxes payable in 2006, and thereafter.

31 Sec. 21. Minnesota Statutes 2004, section 272.02, is
32 amended by adding a subdivision to read:

33 Subd. 72. [ELECTRIC GENERATION FACILITY; PERSONAL
34 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
35 attached machinery and other personal property that is part of
36 either a simple-cycle, combustion-turbine electric generation

1 facility that equals or exceeds 150 megawatts of installed
2 capacity, or a combined-cycle, combustion-turbine electric
3 generation facility that equals or exceeds 225 megawatts of
4 installed capacity, and that in either case meets the
5 requirements of this subdivision, is exempt. At the time of
6 construction, the facility must:

7 (1) be designed to utilize natural gas as a primary fuel;

8 (2) not be owned by a public utility as defined in section
9 216B.02, subdivision 4;

10 (3) be located in a metropolitan county defined in section
11 473.121, subdivision 4, that has a population greater than
12 190,000 and less than 225,000 in the most recent federal
13 decennial census, within one mile of an existing natural gas
14 pipeline, and within one mile of an existing electrical
15 transmission substation; and

16 (4) be designed to provide energy and ancillary services
17 and have received a certificate of need under section 216B.243.

18 (b) Construction of the facility must be commenced after
19 January 1, 2005, and before January 1, 2008. Property eligible
20 for this exemption does not include electric transmission lines
21 and interconnections or gas pipelines and interconnections
22 appurtenant to the property or the facility.

23 [EFFECTIVE DATE.] This section is effective for taxes
24 levied in 2005, payable in 2006, and thereafter.

25 Sec. 22. Minnesota Statutes 2004, section 272.02, is
26 amended by adding a subdivision to read:

27 Subd. 73. [PERSONAL RAPID TRANSIT SYSTEM.] All property
28 used in the operation and support of a personal rapid transit
29 system as defined in section 297A.61, subdivision 37, that
30 provides service to the public on a regular and continuing
31 basis, is exempt, provided that it is operated independent of
32 any government subsidies.

33 [EFFECTIVE DATE.] This section is effective for taxes
34 levied in 2005, payable in 2006, and thereafter.

35 Sec. 23. Minnesota Statutes 2004, section 272.02, is
36 amended by adding a subdivision to read:

1 Subd. 74. [QUALIFIED ELDERLY LIVING FACILITY.] An elderly
2 living facility is exempt from taxation if it meets all of the
3 following requirements:

4 (1) the facility is located in a city of the first class
5 with a population of more than 350,000;

6 (2) the facility is owned and operated by a nonprofit
7 corporation organized under chapter 317A or by a limited
8 liability company formed under chapter 322B, the sole member of
9 which is a nonprofit corporation organized under chapter 317A;

10 (3) the facility consists of no more than 60 living units;

11 (4) the owner of the facility is an affiliate of entities
12 that own and operate assisted living and skilled nursing
13 facilities that:

14 (i) are located across a street from the facility;

15 (ii) are adjacent to a church that is exempt from taxation
16 under subdivision 6;

17 (iii) include a congregate dining program; and

18 (iv) provide assisted living or similar social and physical
19 support;

20 (5) the residents of the facility must be:

21 (i) at least 62 years of age; or

22 (ii) handicapped; and

23 (6) at least 20 percent of the units in the facility are
24 occupied by persons whose annual income does not exceed 50
25 percent of median family income for the area or, in the
26 alternative, 40 percent of the units in the facility are
27 occupied by persons whose annual income does not exceed 60
28 percent of median family income for the area.

29 For purposes of this subdivision, "affiliate" means any
30 entity directly or indirectly controlling or controlled by or
31 under direct or indirect common control with an entity. For
32 this purpose, "control" means the power to direct management and
33 policies through membership or ownership of voting securities.

34 The property is exempt under this subdivision for taxes
35 levied in each year or partial year of the term of the
36 facility's initial permanent financing or 25 years, whichever is

1 later.

2 [EFFECTIVE DATE.] This section is effective for taxes
3 levied in 2005, payable in 2006, and thereafter.

4 Sec. 24. Minnesota Statutes 2004, section 272.029,
5 subdivision 4, is amended to read:

6 Subd. 4. [REPORTS.] (a) An owner of a wind energy
7 conversion system subject to tax under subdivision 3 shall file
8 a report with the commissioner of revenue annually on or before
9 ~~March-1~~ February 1 detailing the amount of electricity in
10 kilowatt-hours that was produced by the wind energy conversion
11 system for the previous calendar year. The commissioner shall
12 prescribe the form of the report. The report must contain the
13 information required by the commissioner to determine the tax
14 due to each county under this section for the current year. If
15 an owner of a wind energy conversion system subject to taxation
16 under this section fails to file the report by the due date, the
17 commissioner of revenue shall determine the tax based upon the
18 nameplate capacity of the system multiplied by a capacity factor
19 of 40 percent.

20 (b) On or before ~~March-31~~ February 28, the commissioner of
21 revenue shall notify the owner of the wind energy conversion
22 systems of the tax due to each county for the current year and
23 shall certify to the county auditor of each county in which the
24 systems are located the tax due from each owner for the current
25 year.

26 [EFFECTIVE DATE.] This section is effective for taxes
27 payable in 2006 and thereafter.

28 Sec. 25. Minnesota Statutes 2004, section 272.029,
29 subdivision 6, is amended to read:

30 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
31 taxes imposed under subdivision 5 must be part of the settlement
32 between the county treasurer and the county auditor under
33 section 276.09. The revenue must be distributed by the county
34 auditor or the county treasurer to all local taxing
35 jurisdictions in which the wind energy conversion system is
36 located, in the same proportion that each of the taxing

1 jurisdiction's ~~current~~ previous year's net tax capacity based
 2 tax rate is to the ~~current~~ previous year's total local net tax
 3 capacity based rate.

4 [EFFECTIVE DATE.] This section is effective for taxes
 5 payable in 2005 and thereafter.

6 Sec. 26. Minnesota Statutes 2004, section 273.11,
 7 subdivision 1a, is amended to read:

8 Subd. 1a. [LIMITED MARKET VALUE.] In the case of all
 9 property classified as agricultural homestead or nonhomestead,
 10 residential homestead or nonhomestead, timber, ~~or~~ noncommercial
 11 seasonal residential recreational, or class 1c resort property,
 12 the assessor shall compare the value with the taxable portion of
 13 the value determined in the preceding assessment except that for
 14 class 1c resort property for assessment year 2005, the assessor
 15 shall determine the limited market value as provided in
 16 subdivision 1b.

17 ~~For assessment year 2002, the amount of the increase shall~~
 18 ~~not exceed the greater of (1) ten percent of the value in the~~
 19 ~~preceding assessment, or (2) 15 percent of the difference~~
 20 ~~between the current assessment and the preceding assessment.~~

21 ~~For assessment year 2003, the amount of the increase shall~~
 22 ~~not exceed the greater of (1) 12 percent of the value in the~~
 23 ~~preceding assessment, or (2) 20 percent of the difference~~
 24 ~~between the current assessment and the preceding assessment.~~

25 For assessment year 2004 and thereafter, the amount of the
 26 increase shall not exceed the greater of (1) 15 percent of the
 27 value in the preceding assessment, or (2) 25 percent of the
 28 difference between the current assessment and the preceding
 29 assessment.

30 ~~For assessment year 2005, the amount of the increase shall~~
 31 ~~not exceed the greater of (1) 15 percent of the value in the~~
 32 ~~preceding assessment, or (2) 33 percent of the difference~~
 33 ~~between the current assessment and the preceding assessment.~~

34 ~~For assessment year 2006, the amount of the increase shall~~
 35 ~~not exceed the greater of (1) 15 percent of the value in the~~
 36 ~~preceding assessment, or (2) 50 percent of the difference~~

~~1 between-the-current-assessment-and-the-preceding-assessment-~~

2 This limitation shall not apply to increases in value due
3 to improvements. For purposes of this subdivision, the term
4 "assessment" means the value prior to any exclusion under
5 subdivision 16.

~~6 The-provisions-of-this-subdivision-shall-be-in-effect
7 through-assessment-year-2006-as-provided-in-this-subdivision-~~

8 For purposes of this subdivision and subdivision 1b, "class
9 1c resort property" includes the portion of the property
10 classified class 1a or 1b homestead, the portion of the property
11 classified 1c, plus any remaining portion of the resort that is
12 classified 4c under section 273.13, subdivision 25, paragraph
13 (d), clause (1).

14 For purposes of the assessment/sales ratio study conducted
15 under section 127A.48, and the computation of state aids paid
16 under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and
17 477A, market values and net tax capacities determined under this
18 subdivision and subdivision 16, shall be used.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment for assessment year 2005, and
21 thereafter.

22 Sec. 27. Minnesota Statutes 2004, section 273.11, is
23 amended by adding a subdivision to read:

24 Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For
25 assessment year 2005, the valuation increase on class 1c resort
26 property shall not exceed the greater of (1) 15 percent of the
27 value of its 2003 assessment, or (2) 25 percent of the
28 difference in value between its 2005 assessment and its 2003
29 assessment. The valuation increase on class 1c resort property
30 for the 2006 and 2007 assessment years shall be determined based
31 upon the schedule contained in subdivision 1a.

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment.

34 Sec. 28. Minnesota Statutes 2004, section 273.11, is
35 amended by adding a subdivision to read:

36 Subd. 21. [VALUATION EXCLUSION FOR SEWAGE TREATMENT SYSTEM

1 IMPROVEMENTS.] Owners of property classified as class 1a, 1b,
2 1c, 2a, 4b, 4bb, or noncommercial 4c under section 273.13 may
3 apply for a valuation exclusion under this subdivision, provided
4 that the property is located in a county which has authorized
5 valuation exclusions under this subdivision, and provided that
6 the following conditions are met:

7 (1) a notice of noncompliance has been issued by a licensed
8 compliance inspector with regard to the individual sewage
9 treatment system serving the property under section 115.55,
10 subdivision 5b;

11 (2) the owner of the property furnishes documentation to
12 the satisfaction of the assessor that the property's individual
13 sewage treatment system has been replaced or refurbished,
14 including replacement of the individual system with a community
15 or cluster system, between May 1, 2005, and December 31, 2007;
16 and

17 (3) a certificate of compliance has been issued for the new
18 or refurbished system under section 115.55, subdivision 5.

19 Application must be made to the assessor on a form
20 prescribed by the commissioner of revenue. Property meeting the
21 requirements of this subdivision is eligible for a valuation
22 exclusion equal to 50 percent of the actual costs incurred, to a
23 maximum exclusion of \$7,500, for a period of five years, after
24 which the amount of the exclusion will be added to the estimated
25 market value of the property. The valuation exclusion
26 terminates upon the sale of the property. If a property owner
27 applies for exclusion under this subdivision between January 1
28 and June 30 of any year, the exclusion first applies for taxes
29 payable in the following year. If a property owner applies for
30 exclusion under this subdivision between July 1 and December 31
31 of any year, the exclusion first applies for taxes payable in
32 the second following year.

33 [EFFECTIVE DATE.] This section is effective for taxes
34 payable in 2006 and subsequent years.

35 Sec. 29. Minnesota Statutes 2004, section 273.11, is
36 amended by adding a subdivision to read:

1 Subd. 22. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.]
2 Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or
3 4bb under section 273.13 may apply for a valuation exclusion for
4 lead hazard reduction, provided that the property is located in
5 a city which has authorized valuation exclusions under this
6 subdivision. A city which authorizes valuation exclusions under
7 this subdivision must establish guidelines for qualifying lead
8 hazard reduction projects and must designate an agency within
9 the city to issue certificates of completion of qualifying
10 projects. For purposes of this subdivision, "lead hazard
11 reduction" has the same meaning as in section 144.9501,
12 subdivision 17.

13 The property owner must obtain a certificate from the city
14 stating that the project has been completed and stating the cost
15 incurred by the owner in completing the project. Only projects
16 originating after April 30, 2005, may qualify for exclusion
17 under this subdivision. The property owner shall apply for a
18 valuation exclusion to the assessor on a form prescribed by the
19 commissioner of revenue.

20 A qualifying property is eligible for a valuation exclusion
21 equal to 50 percent of the actual costs incurred, to a maximum
22 exclusion of \$15,000, for a period of five years, after which
23 the amount of the exclusion will be added to the estimated
24 market value of the property. The valuation exclusion shall
25 terminate upon the sale of the property. If a property owner
26 applies for exclusion under this subdivision between January 1
27 and June 30 of any year, the exclusion shall first apply for
28 taxes payable in the following year. If a property owner
29 applies for exclusion under this subdivision between July 1 and
30 December 31 of any year, the exclusion shall first apply for
31 taxes payable in the second following year.

32 [EFFECTIVE DATE.] This section is effective for taxes
33 payable in 2006 and subsequent years.

34 Sec. 30. Minnesota Statutes 2004, section 273.11, is
35 amended by adding a subdivision to read:

36 Subd. 23. [VALUATION OF ENERGY-EFFICIENT COMMERCIAL

1 PROPERTIES.] (a) The market value of certain energy-efficient
2 property classified under section 273.13, subdivision 24, that
3 is used for commercial purposes, is reduced as provided in this
4 subdivision.

5 (b) To be eligible for a valuation reduction under this
6 subdivision, property must be certified by a qualified inspector
7 as having been constructed in a manner that will achieve a level
8 of energy consumption that is at least 20 percent lower than the
9 standard set in the state energy code rules. The percentage
10 reduction in the market value of a qualifying property is
11 determined as follows:

<u>percentage of energy consumption</u> <u>below energy code requirement</u>	<u>percentage of</u> <u>market value reduction</u>
14 <u>20-30</u>	<u>5</u>
15 <u>31-50</u>	<u>10</u>
16 <u>over 50</u>	<u>15</u>

17 The reductions will remain in effect for the first ten
18 assessment years after the property has been certified as
19 qualifying under this subdivision.

20 (c) The Department of Commerce must establish a process for
21 determining eligibility for the valuation reduction under this
22 subdivision, including certification of persons who are
23 qualified to perform this function.

24 (d) To claim a valuation reduction under this subdivision,
25 the owner of the commercial property must obtain a certification
26 of the level of qualification determined under paragraph (b),
27 which must be prepared by a person certified as provided in
28 paragraph (c). The property owner must furnish this
29 certification to the assessor by May 1 of the assessment year in
30 order to qualify for the valuation reduction for taxes payable
31 in the following year.

32 [EFFECTIVE DATE.] This section is effective for assessments
33 in 2006, taxes payable in 2007, and thereafter.

34 Sec. 31. [273.1115] [AGGREGATE RESOURCE PRESERVATION
35 PROPERTY TAX LAW.]

36 Subdivision 1. [REQUIREMENTS.] Real estate is entitled to

1 valuation under this section only if all of the following
2 requirements are met:

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

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

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

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

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

13 Subd. 2. [APPLICATION.] Application for valuation
14 deferment under this section must be filed by May 1 of the
15 assessment year. Any application filed and granted continues in
16 effect for subsequent years until the property no longer
17 qualifies, provided that supplemental affidavits under
18 subdivision 6 are timely filed. The application must be filed
19 with the assessor of the county in which the real property is
20 located on such form as may be prescribed by the commissioner of
21 revenue. The application must be executed and acknowledged in
22 the manner required by law to execute and acknowledge a deed and
23 must contain at least the following information and any other
24 information the commissioner deems necessary:

25 (1) the legal description of the area;

26 (2) the name and address of owner;

27 (3) a copy of the affidavit filed under section 273.13,

28 subdivision 23, paragraph (h), in the case of property

29 classified class 2b, clause (5); or in the case of property

30 classified 1a, 1b, 2a, and 2b, clauses (1) to (3), the

31 application must include a similar document with the same

32 information as contained in the affidavit under section 273.13,

33 subdivision 23, paragraph (h); and

34 (4) a statement of proof from the owner that the land

35 contains a restrictive covenant limiting its use for the

36 property's surface to that which exists on the date of the

1 application and limiting its future use to the preparation and
2 removal of the aggregate commercial deposit under its surface.

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

7 Subd. 3. [DETERMINATION OF VALUE.] Upon timely application
8 by the owner as provided in subdivision 2, notwithstanding
9 sections 272.03, subdivision 8, and 273.11, the value of any
10 qualifying land described in subdivision 2 must be valued as if
11 it were agricultural property, using a per acre valuation equal
12 to the current year's per acre valuation of agricultural land in
13 the county. The assessor shall not consider any additional
14 value resulting from potential alternative and future uses of
15 the property. The buildings located on the land shall be valued
16 by the assessor in the normal manner.

17 Subd. 4. [CANCELLATION OF COVENANT.] The covenant required
18 under subdivision 2 may be canceled in two ways:

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

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

26 (i) changes the conditional use of the property;

27 (ii) revokes the mining permit; or

28 (iii) changes the zoning to disallow mining.

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

31 Subd. 4a. [COUNTY TERMINATION.] Within two years of the
32 effective date of this section, a county may, following notice
33 and public hearing, terminate application of this section in the
34 county. The termination is effective upon adoption of a
35 resolution of the county board. A termination applies
36 prospectively and does not affect property enrolled under this

1 section prior to the termination date. A county may reauthorize
2 application of this section by a resolution of the county board
3 revoking the termination.

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

9 (1) computing the difference between (i) the current year's
10 taxes determined in accordance with subdivision 5, and (ii) an
11 amount as determined by the assessor based upon the property's
12 current year's estimated market value of like real estate at its
13 highest and best use and the appropriate local tax rate; and

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

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

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

29 Subd. 6. [SUPPLEMENTAL AFFIDAVITS; MINING ACTIVITY ON
30 LAND.] When any portion of the property begins to be actively
31 mined, the owner must file a supplemental affidavit within 60
32 days from the day any aggregate is removed stating the number of
33 acres of the property that is actively being mined. The acres
34 actively being mined shall be (1) valued and classified under
35 section 273.13, subdivision 24, in the next subsequent
36 assessment year, and (2) removed from the aggregate resource

1 preservation property tax program under this section. The
2 additional taxes under subdivision 5 must not be imposed on the
3 acres that are actively being mined and have been removed from
4 the program under this section.

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

16 Subd. 7. [LIEN.] The additional tax imposed by this
17 section is a lien upon the property assessed to the same extent
18 and for the same duration as other taxes imposed upon property
19 within this state and, when collected, must be distributed in
20 the manner provided by law for the collection and distribution
21 of other property taxes.

22 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
23 real property qualifying under subdivision 1 is sold, additional
24 taxes must not be extended against the property if the property
25 continues to qualify under subdivision 1, and the new owner
26 files an application with the assessor for continued deferment
27 within 30 days after the sale.

28 Subd. 9. [DEFINITIONS.] For purposes of this section,
29 "commercial aggregate deposit" and "actively mined" have the
30 meanings given them in section 273.13, subdivision 23, paragraph
31 (h).

32 [EFFECTIVE DATE.] This section is effective for taxes
33 levied in 2005, payable in 2006, and thereafter, except that for
34 the 2005 assessment year, the application date under subdivision
35 4 shall be September 1, 2005, and subdivision 4a is effective
36 the day following final enactment.

1 Sec. 32. [273.1116] [HOMESTEAD RESORTS; VALUATION AND
2 DEFERMENT.]

3 Subdivision 1. [REQUIREMENTS.] Real property qualifying
4 for classification as class 1c under section 273.13, subdivision
5 22, paragraph (c), is entitled to valuation and tax deferment
6 under this section, provided that if part of a resort is not
7 classified as class 1c, only that portion of the value of the
8 property that is classified as class 1c property qualifies under
9 this section.

10 Subd. 2. [DETERMINATION OF VALUE.] Upon timely application
11 by the owner, as provided in subdivision 4, the value of real
12 property described in subdivision 1 must be determined by the
13 assessor solely with reference to its classification value as
14 class 1c property, notwithstanding sections 272.03, subdivision
15 8, and 273.11. The owner must furnish information on the income
16 generated by the property and other information required by the
17 assessor to determine the value of the property. The assessor
18 shall not consider any added values resulting from other factors.

19 Subd. 3. [SEPARATE DETERMINATION OF MARKET VALUE AND TAX.]
20 The assessor shall, however, make a separate determination of
21 the market value of the real estate. The assessor shall record
22 on the property assessment records the tax based upon the
23 appropriate local tax rate applicable to the property in the
24 taxing district.

25 Subd. 4. [APPLICATION.] Application for deferment of taxes
26 and assessment under this section must be filed by May 1 of the
27 year prior to the year in which the taxes are payable. The
28 application must be filed with the assessor of the taxing
29 district in which the real property is located on a form
30 prescribed by the commissioner of revenue. The assessor may
31 require proof by affidavit or otherwise that the property
32 qualifies under subdivision 1. An application approved by the
33 assessor continues in effect for subsequent years until the
34 property no longer qualifies under subdivision 1.

35 Subd. 5. [ADDITIONAL TAXES.] When real property valued and
36 assessed under this section no longer qualifies under

1 subdivision 1, the portion no longer qualifying is subject to
2 additional taxes, in the amount equal to the difference between
3 the taxes determined in accordance with subdivision 2, and the
4 amount determined under subdivision 3, provided, however, that
5 the amount determined under subdivision 3 must not be greater
6 than it would have been had the actual bona fide sale price of
7 the real property at an arms-length transaction been used in
8 lieu of the market value determined under subdivision 3. The
9 additional taxes must be extended against the property on the
10 tax list for the current year, except that no interest or
11 penalties may be levied on the additional taxes if timely paid,
12 and except that the additional taxes must only be levied with
13 respect to the last seven years that the property has been
14 valued and assessed under this section.

15 Subd. 6. [LIEN.] The tax imposed by this section is a lien
16 on the property assessed to the same extent and for the same
17 duration as other taxes imposed on property within this state.
18 The tax must be annually extended by the county auditor and when
19 payable must be collected and distributed in the manner provided
20 by law for the collection and distribution of other property
21 taxes.

22 Subd. 7. [SPECIAL LOCAL ASSESSMENTS.] The payment of
23 special local assessments levied after June 30, 2005, for
24 improvements made to any real property described in subdivision
25 2, together with the interest thereon must, on timely
26 application under subdivision 4, be deferred as long as the
27 property qualifies under subdivision 1. If special assessments
28 against the property have been deferred under this subdivision,
29 the governmental unit shall file with the county recorder in the
30 county in which the property is located a certificate containing
31 the legal description of the affected property and of the amount
32 deferred. When the property no longer qualifies under
33 subdivision 1, all deferred special assessments plus interest
34 are payable in equal installments spread over the time remaining
35 until the last maturity date of the bonds issued to finance the
36 improvement for which the assessments were levied. If the bonds

1 have matured, the deferred special assessments plus interest are
2 payable within 90 days. The provisions of section 429.061,
3 subdivision 2, apply to the collection of these installments.
4 Penalty must not be levied on the special assessments if timely
5 paid.

6 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
7 real property qualifying under subdivision 1 is sold, no
8 additional taxes or deferred special assessments plus interest
9 may be extended against the property if:

10 (1) the property continues to qualify pursuant to
11 subdivision 1; and

12 (2) the new owner files an application for continued
13 deferment within 30 days after the sale.

14 Subd. 9. [APPLICABILITY OF SPECIAL ASSESSMENT PROVISIONS.]
15 This section applies to special local assessments levied after
16 June 30, 2005, and payable in the years thereafter, but shall
17 not apply to any special assessments levied at any time by a
18 county or district court under the provisions of chapter 116A.

19 [EFFECTIVE DATE.] This section is effective for taxes
20 levied in 2005, payable in 2006, and thereafter. For
21 applications for taxes payable in 2006 only, the application
22 deadline in subdivision 4 is extended to August 1, 2005.

23 Sec. 33. Minnesota Statutes 2004, section 273.112,
24 subdivision 3, is amended to read:

25 Subd. 3. [REQUIREMENTS.] Real estate shall be entitled to
26 valuation and tax deferment under this section only if it is:

27 (a) actively and exclusively devoted to golf, skiing, lawn
28 bowling, croquet, polo, or archery or firearms range
29 recreational use or other recreational uses carried on at the
30 establishment;

31 (b) five acres in size or more, except in the case of a
32 lawn bowling or croquet green or an archery or firearms range;

33 (c) (1) operated by private individuals or, in the case of a
34 lawn bowling or croquet green, by private individuals or
35 corporations, and open to the public; or

36 (2) operated by firms or corporations for the benefit of

1 employees or guests; or

2 (3) operated by private clubs having a membership of 50 or
3 more or open to the public, provided that the club does not
4 discriminate in membership requirements or selection on the
5 basis of sex or marital status; and

6 (d) made available for use in the case of real estate
7 devoted to golf without discrimination on the basis of sex
8 during the time when the facility is open to use by the public
9 or by members, except that use for golf may be restricted on the
10 basis of sex no more frequently than one, or part of one,
11 weekend each calendar month for each sex and no more than two,
12 or part of two, weekdays each week for each sex.

13 If a golf club membership allows use of golf course
14 facilities by more than one adult per membership, the use must
15 be equally available to all adults entitled to use of the golf
16 course under the membership, except that use may be restricted
17 on the basis of sex as permitted in this section. Memberships
18 that permit play during restricted times may be allowed only if
19 the restricted times apply to all adults using the membership.
20 A golf club may not offer a membership or golfing privileges to
21 a spouse of a member that provides greater or less access to the
22 golf course than is provided to that person's spouse under the
23 same or a separate membership in that club, except that the
24 terms of a membership may provide that one spouse may have no
25 right to use the golf course at any time while the other spouse
26 may have either limited or unlimited access to the golf course.

27 A golf club may have or create an individual membership
28 category which entitles a member for a reduced rate to play
29 during restricted hours as established by the club. The club
30 must have on record a written request by the member for such
31 membership.

32 A golf club that has food or beverage facilities or
33 services must allow equal access to those facilities and
34 services for both men and women members in all membership
35 categories at all times. Nothing in this paragraph shall be
36 construed to require service or access to facilities to persons

1 under the age of 21 years or require any act that would violate
2 law or ordinance regarding sale, consumption, or regulation of
3 alcoholic beverages.

4 For purposes of this subdivision and subdivision 7a,
5 discrimination means a pattern or course of conduct and not
6 linked to an isolated incident.

7 [EFFECTIVE DATE.] This section is effective for taxes
8 levied in 2005, payable in 2006, and thereafter.

9 Sec. 34. Minnesota Statutes 2004, section 273.123, is
10 amended by adding a subdivision to read:

11 Subd. 8. [HOMESTEAD PROPERTY DAMAGED BY MOLD.] (a) The
12 owner of homestead property not qualifying for an adjustment in
13 valuation under subdivisions 1 to 5 must receive a reduction in
14 the amount of taxes payable on the property if all of the
15 following conditions are met:

16 (1) the owner of the property makes written application to
17 the county assessor for tax treatment under this subdivision;

18 (2) the county assessor determines that the homestead
19 dwelling is uninhabitable because all or part of it has been
20 contaminated by mold; and

21 (3) the owner of the property makes written application to
22 the county board.

23 (b) If all of the conditions in paragraph (a) are met, the
24 county board must grant a reduction in the amount of property
25 tax payable on the homestead dwelling. The reduction must be
26 made for taxes payable in the year that the assessor determines
27 that the requirements in paragraph (a), clause (2), have been
28 met and in the following year.

29 (c) The reduction in the amount of tax payable must be
30 calculated based upon the number of months that the homestead is
31 uninhabitable. The amount of net tax due from the taxpayer
32 shall be multiplied by a fraction, the numerator of which is the
33 number of months the dwelling was occupied by that taxpayer, and
34 the denominator of which is 12. For purposes of this
35 subdivision, if a homestead dwelling is occupied or used for a
36 fraction of a month, it is considered a month. "Net tax" is

1 defined as the amount of tax after the subtraction of all of the
2 state paid property tax credits. If the reduction is granted
3 after all property taxes due for the year have been paid, the
4 amount of the reduction must be refunded to the taxpayer by the
5 county treasurer as soon as practical.

6 (d) Any reductions or refunds under this section are not
7 subject to approval by the commissioner of revenue.

8 (e) A denial of a reduction or refund under this section by
9 the county board may be appealed to the tax court. If the
10 county board takes no action on the application within 60 days
11 after its receipt, it is considered a denial.

12 [EFFECTIVE DATE.] This section is effective for property
13 taxes payable in 2005 and thereafter.

14 Sec. 35. Minnesota Statutes 2004, section 273.124,
15 subdivision 1, is amended to read:

16 Subdivision 1. [GENERAL RULE.] (a) Residential real estate
17 that is occupied and used for the purposes of a homestead by its
18 owner, who must be a Minnesota resident, is a residential
19 homestead.

20 Agricultural land, as defined in section 273.13,
21 subdivision 23, that is occupied and used as a homestead by its
22 owner, who must be a Minnesota resident, is an agricultural
23 homestead.

24 Dates for establishment of a homestead and homestead
25 treatment provided to particular types of property are as
26 provided in this section.

27 Property held by a trustee under a trust is eligible for
28 homestead classification if the requirements under this chapter
29 are satisfied.

30 The assessor shall require proof, as provided in
31 subdivision 13, of the facts upon which classification as a
32 homestead may be determined. Notwithstanding any other law, the
33 assessor may at any time require a homestead application to be
34 filed in order to verify that any property classified as a
35 homestead continues to be eligible for homestead status.

36 Notwithstanding any other law to the contrary, the Department of

1 Revenue may, upon request from an assessor, verify whether an
2 individual who is requesting or receiving homestead
3 classification has filed a Minnesota income tax return as a
4 resident for the most recent taxable year for which the
5 information is available.

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

11 (b) For purposes of this section, homestead property shall
12 include property which is used for purposes of the homestead but
13 is separated from the homestead by a road, street, lot,
14 waterway, or other similar intervening property. The term "used
15 for purposes of the homestead" shall include but not be limited
16 to uses for gardens, garages, or other outbuildings commonly
17 associated with a homestead, but shall not include vacant land
18 held primarily for future development. In order to receive
19 homestead treatment for the noncontiguous property, the owner
20 must use the property for the purposes of the homestead, and
21 must apply to the assessor, both by the deadlines given in
22 subdivision 9. After initial qualification for the homestead
23 treatment, additional applications for subsequent years are not
24 required.

25 (c) Residential real estate that is occupied and used for
26 purposes of a homestead by a relative of the owner is a
27 homestead but only to the extent of the homestead treatment that
28 would be provided if the related owner occupied the property.
29 For purposes of this paragraph and paragraph (g), "relative"
30 means a parent, stepparent, child, stepchild, grandparent,
31 grandchild, brother, sister, uncle, aunt, nephew, or niece.
32 This relationship may be by blood or marriage. Property that
33 has been classified as seasonal residential recreational
34 property at any time during which it has been owned by the
35 current owner or spouse of the current owner will not be
36 reclassified as a homestead unless it is occupied as a homestead

1 by the owner; this prohibition also applies to property that, in
2 the absence of this paragraph, would have been classified as
3 seasonal residential recreational property at the time when the
4 residence was constructed. Neither the related occupant nor the
5 owner of the property may claim a property tax refund under
6 chapter 290A for a homestead occupied by a relative. In the
7 case of a residence located on agricultural land, only the
8 house, garage, and immediately surrounding one acre of land
9 shall be classified as a homestead under this paragraph, except
10 as provided in paragraph (d).

11 (d) Agricultural property that is occupied and used for
12 purposes of a homestead by a relative of the owner, is a
13 homestead, only to the extent of the homestead treatment that
14 would be provided if the related owner occupied the property,
15 and only if all of the following criteria are met:

16 (1) the relative who is occupying the agricultural property
17 is a son, daughter, grandson, granddaughter, father, or mother
18 of the owner of the agricultural property or a son, daughter,
19 grandson, or granddaughter of the spouse of the owner of the
20 agricultural property;

21 (2) the owner of the agricultural property must be a
22 Minnesota resident;

23 (3) the owner of the agricultural property must not receive
24 homestead treatment on any other agricultural property in
25 Minnesota; and

26 (4) the owner of the agricultural property is limited to
27 only one agricultural homestead per family under this paragraph.

28 Neither the related occupant nor the owner of the property
29 may claim a property tax refund under chapter 290A for a
30 homestead occupied by a relative qualifying under this
31 paragraph. For purposes of this paragraph, "agricultural
32 property" means the house, garage, other farm buildings and
33 structures, and agricultural land.

34 Application must be made to the assessor by the owner of
35 the agricultural property to receive homestead benefits under
36 this paragraph. The assessor may require the necessary proof

1 that the requirements under this paragraph have been met.

2 (e) In the case of property owned by a property owner who
3 is married, the assessor must not deny homestead treatment in
4 whole or in part if only one of the spouses occupies the
5 property and the other spouse is absent due to: (1) marriage
6 dissolution proceedings, (2) legal separation, (3) employment or
7 self-employment in another location, or (4) other personal
8 circumstances causing the spouses to live separately, not
9 including an intent to obtain two homestead classifications for
10 property tax purposes. To qualify under clause (3), the
11 spouse's place of employment or self-employment must be at least
12 50 miles distant from the other spouse's place of employment,
13 and the homesteads must be at least 50 miles distant from each
14 other. Homestead treatment, in whole or in part, shall not be
15 denied to the owner's spouse who previously occupied the
16 residence with the owner if the absence of the owner is due to
17 one of the exceptions provided in this paragraph.

18 (f) The assessor must not deny homestead treatment in whole
19 or in part if:

20 (1) in the case of a property owner who is not married, the
21 owner is absent due to residence in a nursing home, boarding
22 care facility, or an elderly assisted living facility property
23 as defined in section 273.13, subdivision 25a, and the property
24 is not otherwise occupied; or

25 (2) in the case of a property owner who is married, the
26 owner or the owner's spouse or both are absent due to residence
27 in a nursing home, boarding care facility, or an elderly
28 assisted living facility property as defined in section 273.13,
29 subdivision 25a, and the property is not occupied or is occupied
30 only by the owner's spouse.

31 (g) If an individual is purchasing property with the intent
32 of claiming it as a homestead and is required by the terms of
33 the financing agreement to have a relative shown on the deed as
34 a co-owner, the assessor shall allow a full homestead
35 classification. This provision only applies to first-time
36 purchasers, whether married or single, or to a person who had

1 previously been married and is purchasing as a single individual
2 for the first time. The application for homestead benefits must
3 be on a form prescribed by the commissioner and must contain the
4 data necessary for the assessor to determine if full homestead
5 benefits are warranted.

6 (h) If residential or agricultural real estate is occupied
7 and used for purposes of a homestead by a child of a deceased
8 owner and the property is subject to jurisdiction of probate
9 court, the child shall receive relative homestead classification
10 under paragraph (c) or (d) to the same extent they would be
11 entitled to it if the owner was still living, until the probate
12 is completed. For purposes of this paragraph, "child" includes
13 a relationship by blood or by marriage.

14 (i) If a single family home, duplex, or triplex classified
15 as either residential homestead or agricultural homestead is
16 also used to provide licensed child care, the portion of the
17 property used for licensed child care must be classified as
18 homestead property.

19 [EFFECTIVE DATE.] This section is effective in assessment
20 year 2005 and thereafter, for taxes payable in 2006, and
21 thereafter.

22 Sec. 36. Minnesota Statutes 2004, section 273.124,
23 subdivision 14, is amended to read:

24 Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.]

25 (a) Real estate of less than ten acres that is the homestead of
26 its owner must be classified as class 2a under section 273.13,
27 subdivision 23, paragraph (a), if:

28 (1) the parcel on which the house is located is contiguous
29 on at least two sides to (i) agricultural land, (ii) land owned
30 or administered by the United States Fish and Wildlife Service,
31 or (iii) land administered by the Department of Natural
32 Resources on which in lieu taxes are paid under sections 477A.11
33 to 477A.14;

34 (2) its owner also owns a noncontiguous parcel of
35 agricultural land that is at least 20 acres;

36 (3) the noncontiguous land is located not farther than four

1 townships or cities, or a combination of townships or cities
2 from the homestead; and

3 (4) the agricultural use value of the noncontiguous land
4 and farm buildings is equal to at least 50 percent of the market
5 value of the house, garage, and one acre of land.

6 Homesteads initially classified as class 2a under the
7 provisions of this paragraph shall remain classified as class
8 2a, irrespective of subsequent changes in the use of adjoining
9 properties, as long as the homestead remains under the same
10 ownership, the owner owns a noncontiguous parcel of agricultural
11 land that is at least 20 acres, and the agricultural use value
12 qualifies under clause (4). Homestead classification under this
13 paragraph is limited to property that qualified under this
14 paragraph for the 1998 assessment.

15 (b) (i) Agricultural property consisting of at least 40
16 acres shall be classified as the owner's homestead, to the same
17 extent as other agricultural homestead property, if all of the
18 following criteria are met:

19 (1) the owner, the owner's spouse, ~~or~~ the son or daughter
20 of the owner or owner's spouse, or the grandson or granddaughter
21 of the owner or the owner's spouse, is actively farming the
22 agricultural property, either on the person's own behalf as an
23 individual or on behalf of a partnership operating a family
24 farm, family farm corporation, joint family farm venture, or
25 limited liability company of which the person is a partner,
26 shareholder, or member;

27 (2) both the owner of the agricultural property and the
28 person who is actively farming the agricultural property under
29 clause (1), are Minnesota residents;

30 (3) neither the owner nor the spouse of the owner claims
31 another agricultural homestead in Minnesota; and

32 (4) neither the owner nor the person actively farming the
33 property lives farther than four townships or cities, or a
34 combination of four townships or cities, from the agricultural
35 property, except that if the owner or the owner's spouse is
36 required to live in employer-provided housing, the owner or

1 owner's spouse, whichever is actively farming the agricultural
2 property, may live more than four townships or cities, or
3 combination of four townships or cities from the agricultural
4 property.

5 The relationship under this paragraph may be either by
6 blood or marriage.

7 (ii) Real property held by a trustee under a trust is
8 eligible for agricultural homestead classification under this
9 paragraph if the qualifications in clause (i) are met, except
10 that "owner" means the grantor of the trust.

11 (iii) Property containing the residence of an owner who
12 owns qualified property under clause (i) shall be classified as
13 part of the owner's agricultural homestead, if that property is
14 also used for noncommercial storage or drying of agricultural
15 crops.

16 (c) Noncontiguous land shall be included as part of a
17 homestead under section 273.13, subdivision 23, paragraph (a),
18 only if the homestead is classified as class 2a and the detached
19 land is located in the same township or city, or not farther
20 than four townships or cities or combination thereof from the
21 homestead. Any taxpayer of these noncontiguous lands must
22 notify the county assessor that the noncontiguous land is part
23 of the taxpayer's homestead, and, if the homestead is located in
24 another county, the taxpayer must also notify the assessor of
25 the other county.

26 (d) Agricultural land used for purposes of a homestead and
27 actively farmed by a person holding a vested remainder interest
28 in it must be classified as a homestead under section 273.13,
29 subdivision 23, paragraph (a). If agricultural land is
30 classified class 2a, any other dwellings on the land used for
31 purposes of a homestead by persons holding vested remainder
32 interests who are actively engaged in farming the property, and
33 up to one acre of the land surrounding each homestead and
34 reasonably necessary for the use of the dwelling as a home, must
35 also be assessed class 2a.

36 (e) Agricultural land and buildings that were class 2a

1 homestead property under section 273.13, subdivision 23,
2 paragraph (a), for the 1997 assessment shall remain classified
3 as agricultural homesteads for subsequent assessments if:

4 (1) the property owner abandoned the homestead dwelling
5 located on the agricultural homestead as a result of the April
6 1997 floods;

7 (2) the property is located in the county of Polk, Clay,
8 Kittson, Marshall, Norman, or Wilkin;

9 (3) the agricultural land and buildings remain under the
10 same ownership for the current assessment year as existed for
11 the 1997 assessment year and continue to be used for
12 agricultural purposes;

13 (4) the dwelling occupied by the owner is located in
14 Minnesota and is within 30 miles of one of the parcels of
15 agricultural land that is owned by the taxpayer; and

16 (5) the owner notifies the county assessor that the
17 relocation was due to the 1997 floods, and the owner furnishes
18 the assessor any information deemed necessary by the assessor in
19 verifying the change in dwelling. Further notifications to the
20 assessor are not required if the property continues to meet all
21 the requirements in this paragraph and any dwellings on the
22 agricultural land remain uninhabited.

23 (f) Agricultural land and buildings that were class 2a
24 homestead property under section 273.13, subdivision 23,
25 paragraph (a), for the 1998 assessment shall remain classified
26 agricultural homesteads for subsequent assessments if:

27 (1) the property owner abandoned the homestead dwelling
28 located on the agricultural homestead as a result of damage
29 caused by a March 29, 1998, tornado;

30 (2) the property is located in the county of Blue Earth,
31 Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

32 (3) the agricultural land and buildings remain under the
33 same ownership for the current assessment year as existed for
34 the 1998 assessment year;

35 (4) the dwelling occupied by the owner is located in this
36 state and is within 50 miles of one of the parcels of

1 agricultural land that is owned by the taxpayer; and

2 (5) the owner notifies the county assessor that the
3 relocation was due to a March 29, 1998, tornado, and the owner
4 furnishes the assessor any information deemed necessary by the
5 assessor in verifying the change in homestead dwelling. For
6 taxes payable in 1999, the owner must notify the assessor by
7 December 1, 1998. Further notifications to the assessor are not
8 required if the property continues to meet all the requirements
9 in this paragraph and any dwellings on the agricultural land
10 remain uninhabited.

11 (g) Agricultural property consisting of at least 40 acres
12 of a family farm corporation, joint family farm venture, family
13 farm limited liability company, or partnership operating a
14 family farm as described under subdivision 8 shall be classified
15 homestead, to the same extent as other agricultural homestead
16 property, if all of the following criteria are met:

17 (1) a shareholder, member, or partner of that entity is
18 actively farming the agricultural property;

19 (2) that shareholder, member, or partner who is actively
20 farming the agricultural property is a Minnesota resident;

21 (3) neither that shareholder, member, or partner, nor the
22 spouse of that shareholder, member, or partner claims another
23 agricultural homestead in Minnesota; and

24 (4) that shareholder, member, or partner does not live
25 farther than four townships or cities, or a combination of four
26 townships or cities, from the agricultural property.

27 Homestead treatment applies under this paragraph for
28 property leased to a family farm corporation, joint farm
29 venture, limited liability company, or partnership operating a
30 family farm if legal title to the property is in the name of an
31 individual who is a member, shareholder, or partner in the
32 entity.

33 (h) To be eligible for the special agricultural homestead
34 under this subdivision, an initial full application must be
35 submitted to the county assessor where the property is located.
36 Owners and the persons who are actively farming the property

1 shall be required to complete only a one-page abbreviated
2 version of the application in each subsequent year provided that
3 none of the following items have changed since the initial
4 application:

5 (1) the day-to-day operation, administration, and financial
6 risks remain the same;

7 (2) the owners and the persons actively farming the
8 property continue to live within the four townships or city
9 criteria and are Minnesota residents;

10 (3) the same operator of the agricultural property is
11 listed with the Farm Service Agency;

12 (4) a Schedule F or equivalent income tax form was filed
13 for the most recent year;

14 (5) the property's acreage is unchanged; and

15 (6) none of the property's acres have been enrolled in a
16 federal or state farm program since the initial application.

17 The owners and any persons who are actively farming the
18 property must include the appropriate Social Security numbers,
19 and sign and date the application. If any of the specified
20 information has changed since the full application was filed,
21 the owner must notify the assessor, and must complete a new
22 application to determine if the property continues to qualify
23 for the special agricultural homestead. The commissioner of
24 revenue shall prepare a standard reapplication form for use by
25 the assessors.

26 [EFFECTIVE DATE.] This section is effective for assessment
27 year 2004 and thereafter, for taxes payable in 2005 and
28 thereafter.

29 Sec. 37. Minnesota Statutes 2004, section 273.13,
30 subdivision 22, is amended to read:

31 Subd. 22. [CLASS 1.] (a) Except as provided in subdivision
32 23 and in paragraphs (b) and (c), real estate which is
33 residential and used for homestead purposes is class 1a. In the
34 case of a duplex or triplex in which one of the units is used
35 for homestead purposes, the entire property is deemed to be used
36 for homestead purposes. The market value of class 1a property

1 must be determined based upon the value of the house, garage,
2 and land.

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

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

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

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

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

15 (ii) is entitled to compensation under the laws and
16 regulations of the United States for permanent and total
17 service-connected disability due to the loss, or loss of use, by
18 reason of amputation, ankylosis, progressive muscular
19 dystrophies, or paralysis, of both lower extremities, such as to
20 preclude motion without the aid of braces, crutches, canes, or a
21 wheelchair; and

22 (iii) has acquired a special housing unit with special
23 fixtures or movable facilities made necessary by the nature of
24 the veteran's disability, or the surviving spouse of the
25 deceased veteran for as long as the surviving spouse retains the
26 special housing unit as a homestead; or

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

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

32 Property is classified and assessed pursuant to clause (1)
33 only if the commissioner of revenue certifies to the assessor
34 that the homestead occupant satisfies the requirements of this
35 paragraph.

36 Permanently and totally disabled for the purpose of this

1 subdivision means a condition which is permanent in nature and
2 totally incapacitates the person from working at an occupation
3 which brings the person an income. The first \$32,000 market
4 value of class 1b property has a net class rate of .45 percent
5 of its market value. The remaining market value of class 1b
6 property has a class rate using the rates for class 1a or class
7 2a property, whichever is appropriate, of similar market value.

8 (c) Class 1c property is commercial use real property that
9 abuts a lakeshore line and is devoted to temporary and seasonal
10 residential occupancy for recreational purposes but not devoted
11 to commercial purposes for more than 250 days in the year
12 preceding the year of assessment, and that includes a portion
13 used as a homestead by the owner, which includes a dwelling
14 occupied as a homestead by a shareholder of a corporation that
15 owns the resort, a partner in a partnership that owns the
16 resort, or a member of a limited liability company that owns the
17 resort even if the title to the homestead is held by the
18 corporation, partnership, or limited liability company. For
19 purposes of this clause, property is devoted to a commercial
20 purpose on a specific day if any portion of the property,
21 excluding the portion used exclusively as a homestead, is used
22 for residential occupancy and a fee is charged for residential
23 occupancy. The first ~~\$500,000~~ \$600,000 of market value of class
24 1c property has a class rate of ~~one~~ 0.55 percent, the market
25 value that exceeds \$600,000 but does not exceed \$1,600,000 has a
26 class rate of one percent, and the remaining market value of
27 class 1c property has a class rate of ~~one-percent, with the~~
28 ~~following limitation:--the area of the property must not exceed~~
29 ~~100-feet-of-lakeshore-footage-for-each-cabin-or-campsite-located~~
30 ~~on-the-property-up-to-a-total-of-800-feet-and-500-feet-in-depth,~~
31 ~~measured-away-from-the-lakeshore.---If-any-portion-of-the-class~~
32 ~~1c-resort-property-is-classified-as-class-4c-under-subdivision~~
33 ~~25,--the-entire-property-must-meet-the-requirements-of~~
34 ~~subdivision-25,--paragraph-(d),--clause-(1),--to-qualify-for-class~~
35 ~~1c-treatment-under-this-paragraph~~ 1.25 percent.

36 (d) Class 1d property includes structures that meet all of

1 the following criteria:

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

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

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

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

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

17 [EFFECTIVE DATE.] This section is effective for taxes
18 levied in 2005, payable in 2006, and thereafter.

19 Sec. 38. Minnesota Statutes 2004, section 273.13,
20 subdivision 23, is amended to read:

21 Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural
22 land including any improvements that is homesteaded. The market
23 value of the house and garage and immediately surrounding one
24 acre of land has the same class rates as class 1a property under
25 subdivision 22. The value of the remaining land including
26 improvements up to and including \$600,000 market value has a net
27 class rate of 0.55 percent of market value. The remaining
28 property over \$600,000 market value has a class rate of one
29 percent of market value.

30 (b) Class 2b property is (1) real estate, rural in
31 character and used exclusively for growing trees for timber,
32 lumber, and wood and wood products; (2) real estate that is not
33 improved with a structure and is used exclusively for growing
34 trees for timber, lumber, and wood and wood products, if the
35 owner has participated or is participating in a cost-sharing
36 program for afforestation, reforestation, or timber stand

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

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

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

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

1 Classification under this subdivision is not determinative
2 for qualifying under section 273.111.

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

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

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

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

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

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

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

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

23 (7) trees, grown for sale as a crop, and not sold for
24 timber, lumber, wood, or wood products, except that short
25 rotation woody crops that are cultivated using agricultural
26 practices on land that had previously been assessed as
27 agricultural land to produce timber or forest products are
28 agricultural products; and

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

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

35 (1) wholesale and retail sales;

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

1 (3) warehousing or storage of processed goods; and
2 (4) office facilities for the support of the activities
3 enumerated in clauses (1), (2), and (3),
4 the assessor shall classify the part of the parcel used for
5 agricultural purposes as class 1b, 2a, or 2b, whichever is
6 appropriate, and the remainder in the class appropriate to its
7 use. The grading, sorting, and packaging of raw agricultural
8 products for first sale is considered an agricultural purpose.
9 A greenhouse or other building where horticultural or nursery
10 products are grown that is also used for the conduct of retail
11 sales must be classified as agricultural if it is primarily used
12 for the growing of horticultural or nursery products from seed,
13 cuttings, or roots and occasionally as a showroom for the retail
14 sale of those products. Use of a greenhouse or building only
15 for the display of already grown horticultural or nursery
16 products does not qualify as an agricultural purpose.

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

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

33 (i) the land is properly cleared and regularly maintained
34 for the primary purposes of the landing, taking off, and taxiing
35 of aircraft; but that portion of the land that contains
36 facilities for servicing, repair, or maintenance of aircraft is

1 not included as a landing area;

2 (ii) the land is part of the airport property; and

3 (iii) the land is not used for commercial or residential
4 purposes.

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

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

18 (1) a legal description of the property;

19 (2) a disclosure that the property contains a commercial
20 aggregate deposit that is not actively being mined;

21 (3) documentation that the conditional use under the county
22 or local zoning ordinance of this property is for mining; and

23 (4) documentation that a permit has been issued by the
24 local unit of government or the mining activity is allowed under
25 local ordinance. The disclosure must include a statement from a
26 registered professional geologist, engineer, or soil scientist
27 delineating the deposit and certifying that it is a commercial
28 aggregate deposit.

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

35 (i) When any portion of the property under this subdivision
36 or section 273.13, subdivision 22, begins to be actively mined,

1 the owner must file a supplemental affidavit within 60 days from
2 the day any aggregate is removed stating the number of acres of
3 the property that is actively being mined. The acres actively
4 being mined must be (1) valued and classified under section
5 273.13, subdivision 24, in the next subsequent assessment year,
6 and (2) removed from the aggregate resource preservation
7 property tax program under section 273.1115, if the land was
8 enrolled in that program. Copies of the original affidavit and
9 all supplemental affidavits must be filed with the county
10 assessor, the local zoning administrator, and the Department of
11 Natural Resources, Division of Land and Minerals. A
12 supplemental affidavit must be filed each time a subsequent
13 portion of the property is actively mined, provided that the
14 minimum acreage change is five acres, even if the actual mining
15 activity constitutes less than five acres.

16 [EFFECTIVE DATE.] This section is effective for taxes
17 levied in 2005, payable in 2006, and thereafter.

18 Sec. 39. Minnesota Statutes 2004, section 273.13,
19 subdivision 25, is amended to read:

20 Subd. 25. [CLASS 4.] (a) Class 4a is residential real
21 estate containing four or more units and used or held for use by
22 the owner or by the tenants or lessees of the owner as a
23 residence for rental periods of 30 days or more. Class 4a also
24 includes hospitals licensed under sections 144.50 to 144.56,
25 other than hospitals exempt under section 272.02, and contiguous
26 property used for hospital purposes, without regard to whether
27 the property has been platted or subdivided. The market value
28 of class 4a property has a class rate of 1.8 percent for taxes
29 payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25
30 percent for taxes payable in 2004 and thereafter, except that
31 class 4a property consisting of a structure for which
32 construction commenced after June 30, 2001, has a class rate of
33 1.25 percent of market value for taxes payable in 2003 and
34 subsequent years.

35 (b) Class 4b includes:

36 (1) residential real estate containing less than four units

1 that does not qualify as class 4bb, other than seasonal
2 residential recreational property;

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

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

8 (4) unimproved property that is classified residential as
9 determined under subdivision 33.

10 The market value of class 4b property has a class rate of
11 1.5 percent for taxes payable in 2002, and 1.25 percent for
12 taxes payable in 2003 and thereafter.

13 (c) Class 4bb includes:

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

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

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

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

25 (d) Class 4c property includes:

26 (1) except as provided in subdivision 22, paragraph (c),
27 real property devoted to temporary and seasonal residential
28 occupancy for recreation purposes, including real property
29 devoted to temporary and seasonal residential occupancy for
30 recreation purposes and not devoted to commercial purposes for
31 more than 250 days in the year preceding the year of
32 assessment. For purposes of this clause, property is devoted to
33 a commercial purpose on a specific day if any portion of the
34 property is used for residential occupancy, and a fee is charged
35 for residential occupancy. In order for a property to be
36 classified as class 4c, seasonal residential recreational for

1 commercial purposes, at least 40 percent of the annual gross
2 lodging receipts related to the property must be from business
3 conducted during 90 consecutive days and either (i) at least 60
4 percent of all paid bookings by lodging guests during the year
5 must be for periods of at least two consecutive nights; or (ii)
6 at least 20 percent of the annual gross receipts must be from
7 charges for rental of fish houses, boats and motors,
8 snowmobiles, downhill or cross-country ski equipment, or charges
9 for marina services, launch services, and guide services, or the
10 sale of bait and fishing tackle. For purposes of this
11 determination, a paid booking of five or more nights shall be
12 counted as two bookings. Class 4c also includes commercial use
13 real property used exclusively for recreational purposes in
14 conjunction with class 4c property devoted to temporary and
15 seasonal residential occupancy for recreational purposes, up to
16 a total of two acres, provided the property is not devoted to
17 commercial recreational use for more than 250 days in the year
18 preceding the year of assessment and is located within two miles
19 of the class 4c property with which it is used. ~~Class-4e~~
20 ~~property-classified-in-this-paragraph-also-includes-the-remainder~~
21 ~~of-class-1c-resorts-provided-that-the-entire-property-including~~
22 ~~that-portion-of-the-property-classified-as-class-1c-also-meets~~
23 ~~the-requirements-for-class-4c-under-this-paragraph; otherwise the~~
24 ~~entire-property-is-classified-as-class-3.~~ Owners of real
25 property devoted to temporary and seasonal residential occupancy
26 for recreation purposes and all or a portion of which was
27 devoted to commercial purposes for not more than 250 days in the
28 year preceding the year of assessment desiring classification as
29 class 1c or 4c, must submit a declaration to the assessor
30 designating the cabins or units occupied for 250 days or less in
31 the year preceding the year of assessment by January 15 of the
32 assessment year. Those cabins or units and a proportionate
33 share of the land on which they are located will be designated
34 class 1c or 4c as otherwise provided. The remainder of the
35 cabins or units and a proportionate share of the land on which
36 they are located will be designated as class 3a. The owner of

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

10 (2) qualified property used as a golf course if:

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

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

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

21 (3) real property up to a maximum of one acre of land owned
22 by a nonprofit community service oriented organization; provided
23 that the property is not used for a revenue-producing activity
24 for more than six days in the calendar year preceding the year
25 of assessment and the property is not used for residential
26 purposes on either a temporary or permanent basis. For purposes
27 of this clause, a "nonprofit community service oriented
28 organization" means any corporation, society, association,
29 foundation, or institution organized and operated exclusively
30 for charitable, religious, fraternal, civic, or educational
31 purposes, and which is exempt from federal income taxation
32 pursuant to section 501(c)(3), (10), or (19) of the Internal
33 Revenue Code of 1986, as amended through December 31, 1990. For
34 purposes of this clause, "revenue-producing activities" shall
35 include but not be limited to property or that portion of the
36 property that is used as an on-sale intoxicating liquor or 3.2

1 percent malt liquor establishment licensed under chapter 340A, a
2 restaurant open to the public, bowling alley, a retail store,
3 gambling conducted by organizations licensed under chapter 349,
4 an insurance business, or office or other space leased or rented
5 to a lessee who conducts a for-profit enterprise on the
6 premises. Any portion of the property which is used for
7 revenue-producing activities for more than six days in the
8 calendar year preceding the year of assessment shall be assessed
9 as class 3a. The use of the property for social events open
10 exclusively to members and their guests for periods of less than
11 24 hours, when an admission is not charged nor any revenues are
12 received by the organization shall not be considered a
13 revenue-producing activity;

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

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

21 (6) real property that is actively and exclusively devoted
22 to indoor fitness, health, social, recreational, and related
23 uses, is owned and operated by a not-for-profit corporation, and
24 is located within the metropolitan area as defined in section
25 473.121, subdivision 2;

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

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

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

35 If a hangar classified under this clause is sold after June
36 30, 2000, a bill of sale must be filed by the new owner with the

1 assessor of the county where the property is located within 60
2 days of the sale; and

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

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

7 (ii) the owner of the aircraft storage hangar provides the
8 assessor with a signed agreement restricting the use of the
9 premises, prohibiting commercial use or activity performed at
10 the hangar; and

11 ~~(8)~~ (9) residential real estate, a portion of which is used
12 by the owner for homestead purposes, and that is also a place of
13 lodging, if all of the following criteria are met:

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

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

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

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

22 The market value subject to the 4c classification under this
23 clause is limited to five rental units. Any rental units on the
24 property in excess of five, must be valued and assessed as class
25 3a. The portion of the property used for purposes of a
26 homestead by the owner must be classified as class 1a property
27 under subdivision 22.

28 Class 4c property has a class rate of 1.5 percent of market
29 value, except that (i) each parcel of seasonal residential
30 recreational property not used for commercial purposes has the
31 same class rates as class 4bb property, (ii) manufactured home
32 parks assessed under clause (5) have the same class rate as
33 class 4b property, (iii) commercial-use seasonal residential
34 recreational property has a class rate of one percent for the
35 first \$500,000 of market value, which includes any market value
36 receiving the one percent rate under subdivision 22, and 1.25

1 percent for the remaining market value, (iv) the market value of
2 property described in clause (4) has a class rate of one
3 percent, (v) the market value of property described in clauses
4 (2) and (6) has a class rate of 1.25 percent, and (vi) that
5 portion of the market value of property in clause (8) qualifying
6 for class 4c property has a class rate of 1.25 percent.

7 (e) Class 4d property is qualifying low-income rental
8 housing certified to the assessor by the Housing Finance Agency
9 under sections 273.126 and 462A.071. Class 4d includes land in
10 proportion to the total market value of the building that is
11 qualifying low-income rental housing.

12 Class 4d property has a class rate of 0.55 percent for
13 taxes payable in 2007 and thereafter.

14 Sec. 40. [273.1321] [VALUATION OF LOW-INCOME RENTAL
15 PROPERTY; CAPITALIZED VALUE OF NET OPERATING INCOME.]

16 Subdivision 1. [REQUIREMENT.] Low-income rental property
17 classified as class 4d under section 273.13, subdivision 25, is
18 entitled to valuation under this section if at least 75 percent
19 of the units in the rental housing property meet any of the
20 following qualifications:

21 (1) the units are subject to a housing assistance payments
22 contract under section 8 of the United States Housing Act of
23 1937, as amended;

24 (2) the units are rent-restricted and income-restricted
25 units of a qualified low-income housing project receiving tax
26 credits under section 42(g) of the Internal Revenue Code of
27 1986, as amended;

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

32 (4) the units are subject to rent and income restrictions
33 under the terms of financial assistance provided to the rental
34 housing property by a federal, state, or local unit of
35 government as evidenced by a document recorded against the
36 property.

1 The restrictions must require assisted units to be occupied
2 by residents whose household income at the time of initial
3 occupancy does not exceed 60 percent of the greater of area or
4 state median income, adjusted for family size, as determined by
5 the United States Department of Housing and Urban Development.
6 The restriction must also require the rents for assisted units
7 to not exceed 30 percent of 60 percent of the greater of area or
8 state median income, adjusted for family size, as determined by
9 the United States Department of Housing and Urban Development.

10 Subd. 2. [DETERMINATION OF VALUE.] (a) The value of any
11 rental housing property meeting the qualifications of
12 subdivision 1 shall be determined, upon timely application by
13 the owner in the manner provided in subdivision 3, on the basis
14 of the restricted use of the property, notwithstanding sections
15 272.03, subdivision 8, and 273.11, by capitalizing the net
16 operating income prior to the payment of debt service.

17 (b) Net operating income prior to payment of debt service
18 must be the amounts shown in a financial statement prepared by
19 an independent certified public accountant or firm. The
20 financial statement must show the revenues, expenses, cash
21 flows, assets, liabilities, and net assets for the property for
22 which an application is made under this section.

23 (c) The capitalization rate applied to net operating income
24 shall be established jointly by the commissioner and the Housing
25 Finance Agency based on market data and industry standards. The
26 commissioner and the Housing Finance Agency shall jointly
27 establish separate rates based on types of rental housing
28 properties and their locations.

29 Subd. 3. [APPLICATION.] (a) Application for assessment
30 under this section must be filed by February 28 of the levy
31 year, or at a later date the Housing Finance Agency deems
32 practicable. The application must be filed with the Housing
33 Finance Agency, on a form prescribed by the agency, and must
34 contain the information required by the Housing Finance Agency.

35 (b) Each application must include:

36 (1) the property tax identification number;

1 (2) evidence that the property meets the requirements of
2 subdivision 1; and

3 (3) a true and correct copy of the financial statement
4 related to the property.

5 (c) The applicant must pay an application fee to be set by
6 the Housing Finance Agency. The application fee charged by the
7 agency must approximately equal the costs of processing and
8 reviewing the applications. The fee must be deposited in the
9 housing development fund.

10 Subd. 4. [CERTIFICATION.] By June 1 of each levy year, the
11 Housing Finance Agency must certify to local assessors the
12 valuation, as determined under this section, of rental
13 properties that apply and are qualified for valuation under this
14 section. In making the certification, the Housing Finance
15 Agency may rely on the application and supporting information
16 supplied by the property owner.

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

19 Sec. 41. [273.1322] [VACANT COMMERCIAL INDUSTRIAL
20 PROPERTIES.]

21 Subdivision 1. [AUTHORITY.] A city may establish, by
22 ordinance, a program to encourage redevelopment, provide for
23 better utilization of commercial industrial property, and
24 eliminate blighting influences by revoking the eligibility of
25 individual commercial industrial properties to receive the
26 credit authorized under section 273.1398, subdivision 4. The
27 program may revoke eligibility only if the property has been
28 vacant, as defined in subdivision 3, clauses (1) to (3), for
29 three or more consecutive years prior to the current assessment
30 year, or under subdivision 3, clause (4), for five or more
31 consecutive years prior to the current assessment year.

32 Subd. 2. [MINIMUM REQUIREMENTS.] The program must provide:

33 (1) standards for determining whether a property is vacant;

34 (2) written assessment notice by the city or county to the
35 property owner informing the owner that the property's
36 eligibility will be revoked;

1 (3) opportunity for the property owner to appeal the
2 revocation at the board of equalization;

3 (4) timely notice to the county assessor of the property's
4 eligibility revocation, if the city has a city assessor and the
5 city assessor has revoked the property's eligibility; and

6 (5) any other provisions the city determines are necessary
7 or appropriate to the operation of the program to achieve its
8 purposes.

9 Subd. 3. [DEFINITION OF VACANT.] A program established
10 under this section may provide that a property is vacant if the
11 property is:

12 (1) condemned, dangerous, or having multiple building code
13 violations;

14 (2) condemned and illegally occupied;

15 (3) either occupied or unoccupied, during which time the
16 enforcement officer for the municipality has issued multiple
17 orders to correct nuisance conditions; or

18 (4) unoccupied and not utilized for a commercial or
19 industrial purpose.

20 Subd. 4. [NOTICE TO PROPERTY OWNER.] The municipality
21 shall give notice to the property owner requiring that any
22 conditions in subdivision 3, clauses (1) to (3), be remedied,
23 and that the property be occupied and used for a commercial or
24 industrial purpose for at least 180 days during the next
25 12-month period, or else the property may cease to be eligible
26 for the credit under section 273.1398, subdivision 4.

27 [EFFECTIVE DATE.] This section is effective for taxes
28 payable in 2007 and thereafter.

29 Sec. 42. Minnesota Statutes 2004, section 273.1384,
30 subdivision 3, is amended to read:

31 Subd. 3. [CREDIT REIMBURSEMENTS.] (a) The county auditor
32 shall determine the tax reductions allowed under this section
33 within the county for each taxes payable year and shall certify
34 that amount to the commissioner of revenue as a part of the
35 abstracts of tax lists submitted by the county auditors under
36 section 275.29.

1 (b) In the case of class 1a, class 1c, or class 2a
2 homestead property which is located within a city, the county
3 auditor shall determine whether the net tax on each parcel is
4 less than the applicable percentage of its taxable market value
5 provided in this paragraph for the year. For taxes payable in
6 2007 and 2008, if the net tax on the property is less than 0.7
7 percent of its taxable market value, the county auditor shall
8 reduce the reimbursement to the county and the city for the
9 credit allowed under subdivision 1 by the amount of the
10 difference. For taxes payable in 2009 and 2010, if the net tax
11 on the property is less than 0.8 percent of its taxable market
12 value, the county auditor shall reduce the reimbursement to the
13 county and the city for the credit allowed under subdivision 1
14 by the amount of the difference. For taxes payable in 2011 and
15 2012, if the net tax on the property is less than 0.9 percent of
16 its taxable market value, the county auditor shall reduce the
17 reimbursement to the county and the city for the credit allowed
18 under subdivision 1 by the amount of the difference. For taxes
19 payable in 2013 and thereafter, if the net tax on the property
20 is less than one percent of its taxable market value, the county
21 auditor shall reduce the reimbursement to the county and the
22 city for the credit allowed under subdivision 1 by the amount of
23 the difference. The market value credit reimbursement cannot be
24 less than zero.

25 (c) Any prior year adjustments shall also be certified on
26 the abstracts of tax lists. The commissioner shall review the
27 certifications for accuracy, and may make such changes as are
28 deemed necessary, or return the certification to the county
29 auditor for correction. If there is no reduction of the
30 reimbursements under paragraph (b), the credits under this
31 section must be used to proportionately reduce the net tax
32 capacity-based property tax payable to each local taxing
33 jurisdiction as provided in section 273.1393. If there is a
34 reduction under paragraph (b), the reimbursements paid to the
35 city and county must be reduced in proportion to the amount of
36 their levies.

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

3 Sec. 43. [273.323] [EFFECTIVE DATE FOR RULES FOR VALUATION
4 OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.]

5 Rules adopted by the commissioner that prescribe the method
6 of valuing property of electric and transmission pipeline
7 utilities may not take effect before the end of the regular
8 legislative session in the calendar year following adoption of
9 the rules.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 44. Minnesota Statutes 2004, section 275.065,
13 subdivision 3, is amended to read:

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

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

22 (c) The notice must inform taxpayers that it contains the
23 amount of property taxes each taxing authority proposes to
24 collect for taxes payable the following year. In the case of a
25 town, or in the case of the state general tax, the final tax
26 amount will be its proposed tax. In the case of taxing
27 authorities required to hold a public meeting under subdivision
28 6, the notice must clearly state that each taxing authority,
29 including regional library districts established under section
30 134.201, and including the metropolitan taxing districts as
31 defined in paragraph (i), but excluding all other special taxing
32 districts and towns, will hold a public meeting to receive
33 public testimony on the proposed budget and proposed or final
34 property tax levy, or, in case of a school district, on the
35 current budget and proposed property tax levy. It must clearly
36 state the time and place of each taxing authority's meeting, a

1 telephone number for the taxing authority that taxpayers may
2 call if they have questions related to the notice, and an
3 address where comments will be received by mail.

4 (d) The notice must state for each parcel:

5 (1) the market value of the property as determined under
6 section 273.11, and used for computing property taxes payable in
7 the following year and for taxes payable in the current year as
8 each appears in the records of the county assessor on November 1
9 of the current year; and, in the case of residential property,
10 whether the property is classified as homestead or
11 nonhomestead. The notice must clearly inform taxpayers of the
12 years to which the market values apply and that the values are
13 final values;

14 (2) the items listed below, shown separately by county,
15 city or town, and state general tax, net of the residential and
16 agricultural homestead credit under section 273.1384, voter
17 approved school levy, other local school levy, and the sum of
18 the special taxing districts, and as a total of all taxing
19 authorities:

- 20 (i) the actual tax for taxes payable in the current year;
- 21 and
- 22 (ii) the proposed tax amount.

23 If the county levy under clause (2) includes an amount for
24 a lake improvement district as defined under sections 103B.501
25 to 103B.581, the amount attributable for that purpose must be
26 separately stated from the remaining county levy amount.

27 In the case of a town or the state general tax, the final
28 tax shall also be its proposed tax unless the town changes its
29 levy at a special town meeting under section 365.52. If a
30 school district has certified under section 126C.17, subdivision
31 9, that a referendum will be held in the school district at the
32 November general election, the county auditor must note next to
33 the school district's proposed amount that a referendum is
34 pending and that, if approved by the voters, the tax amount may
35 be higher than shown on the notice. In the case of the city of
36 Minneapolis, the levy for the Minneapolis Library Board and the

1 levy for Minneapolis Park and Recreation shall be listed
2 separately from the remaining amount of the city's levy. In the
3 case of the city of St. Paul, the levy for the St. Paul Library
4 Agency must be listed separately from the remaining amount of
5 the city's levy. In the case of Ramsey County, any amount
6 levied under section 134.07 may be listed separately from the
7 remaining amount of the county's levy. In the case of a parcel
8 where tax increment or the fiscal disparities areawide tax under
9 chapter 276A or 473F applies, the proposed tax levy on the
10 captured value or the proposed tax levy on the tax capacity
11 subject to the areawide tax must each be stated separately and
12 not included in the sum of the special taxing districts; and
13 (3) the increase or decrease between the total taxes
14 payable in the current year and the total proposed taxes,
15 expressed as a percentage.

16 For purposes of this section, the amount of the tax on
17 homesteads qualifying under the senior citizens' property tax
18 deferral program under chapter 290B is the total amount of
19 property tax before subtraction of the deferred property tax
20 amount.

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

23 (1) special assessments;

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

27 (3) a levy limit increase approved by the voters by the
28 first Tuesday after the first Monday in November of the levy
29 year as provided under section 275.73;

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

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

36 (6) the contamination tax imposed on properties which

1 received market value reductions for contamination.

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

7 (g) If the notice the taxpayer receives under this section
8 lists the property as nonhomestead, and satisfactory
9 documentation is provided to the county assessor by the
10 applicable deadline, and the property qualifies for the
11 homestead classification in that assessment year, the assessor
12 shall reclassify the property to homestead for taxes payable in
13 the following year.

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

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

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

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

27 (i) For purposes of this subdivision, subdivisions 5a and
28 6, "metropolitan special taxing districts" means the following
29 taxing districts in the seven-county metropolitan area that levy
30 a property tax for any of the specified purposes listed below:

31 (1) Metropolitan Council under section 473.132, 473.167,
32 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

33 (2) Metropolitan Airports Commission under section 473.667,
34 473.671, or 473.672; and

35 (3) Metropolitan Mosquito Control Commission under section
36 473.711.

1 For purposes of this section, any levies made by the
2 regional rail authorities in the county of Anoka, Carver,
3 Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
4 398A shall be included with the appropriate county's levy and
5 shall be discussed at that county's public hearing.

6 [EFFECTIVE DATE.] This section is effective for notices for
7 property taxes levied in 2005, payable in 2006, and thereafter.

8 Sec. 45. Minnesota Statutes 2004, section 275.065, is
9 amended by adding a subdivision to read:

10 Subd. 9. [AITKIN COUNTY AND SCHOOL DISTRICT
11 HEARING.] Notwithstanding any other law, Aitkin County and
12 Independent School District No. 1, and the city of Aitkin, or
13 any two of them, may hold their initial public hearing jointly.
14 The hearing must be held on the second Tuesday of December each
15 year. The advertisement required in subdivision 5a may be a
16 joint advertisement. The hearing is otherwise subject to the
17 requirements of this section.

18 [EFFECTIVE DATE.] This section is effective for hearings
19 conducted in 2005 and subsequent years.

20 Sec. 46. Minnesota Statutes 2004, section 275.065, is
21 amended by adding a subdivision to read:

22 Subd. 10. [NOBLES COUNTY; JOINT INITIAL PUBLIC
23 HEARING.] Notwithstanding any other law, Nobles County, the city
24 of Worthington, and Independent School District No. 518,
25 Worthington, or any two of them, may hold their initial public
26 hearing jointly. The hearing must be held on the second Tuesday
27 of December each year. The advertisement required in
28 subdivision 5a may be a joint advertisement. The hearing is
29 otherwise subject to the requirements of this section.

30 [EFFECTIVE DATE.] This section is effective for hearings
31 conducted in 2005 and subsequent years.

32 Sec. 47. Minnesota Statutes 2004, section 275.066, is
33 amended to read:

34 275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

35 For the purposes of property taxation and property tax
36 state aids, the term "special taxing districts" includes the

1 following entities:

2 (1) watershed districts under chapter 103D;

3 (2) sanitary districts under sections 115.18 to 115.37;

4 (3) regional sanitary sewer districts under sections 115.61
5 to 115.67;

6 (4) regional public library districts under section
7 134.201;

8 (5) park districts under chapter 398;

9 (6) regional railroad authorities under chapter 398A;

10 (7) hospital districts under sections 447.31 to 447.38;

11 (8) St. Cloud Metropolitan Transit Commission under
12 sections 458A.01 to 458A.15;

13 (9) Duluth Transit Authority under sections 458A.21 to
14 458A.37;

15 (10) regional development commissions under sections
16 462.381 to 462.398;

17 (11) housing and redevelopment authorities under sections
18 469.001 to 469.047;

19 (12) port authorities under sections 469.048 to 469.068;

20 (13) economic development authorities under sections
21 469.090 to 469.1081;

22 (14) Metropolitan Council under sections 473.123 to
23 473.549;

24 (15) Metropolitan Airports Commission under sections
25 473.601 to 473.680;

26 (16) Metropolitan Mosquito Control Commission under
27 sections 473.701 to 473.716;

28 (17) Morrison County Rural Development Financing Authority
29 under Laws 1982, chapter 437, section 1;

30 (18) Croft Historical Park District under Laws 1984,
31 chapter 502, article 13, section 6;

32 (19) East Lake County Medical Clinic District under Laws
33 1989, chapter 211, sections 1 to 6;

34 (20) Floodwood Area Ambulance District under Laws 1993,
35 chapter 375, article 5, section 39;

36 (21) Middle Mississippi River Watershed Management

1 Organization under sections 103B.211 and 103B.241;

2 (22) emergency medical services special taxing districts
3 under section 144F.01;

4 (23) a county levying under the authority of section
5 103B.241, 103B.245, or 103B.251;

6 (24) Southern St. Louis County Special Taxing District;
7 Chris Jensen Nursing Home under Laws 2003, First Special Session
8 chapter 21, article 4, section 12; and

9 (25) soil and water conservation districts under chapter
10 103C; and

11 (26) any other political subdivision of the state of
12 Minnesota, excluding counties, school districts, cities, and
13 towns, that has the power to adopt and certify a property tax
14 levy to the county auditor, as determined by the commissioner of
15 revenue.

16 Sec. 48. Minnesota Statutes 2004, section 275.70,
17 subdivision 5, is amended to read:

18 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
19 portions of ad valorem taxes levied by a local governmental unit
20 for the following purposes or in the following manner:

21 (1) to pay the costs of the principal and interest on
22 bonded indebtedness or to reimburse for the amount of liquor
23 store revenues used to pay the principal and interest due on
24 municipal liquor store bonds in the year preceding the year for
25 which the levy limit is calculated;

26 (2) to pay the costs of principal and interest on
27 certificates of indebtedness issued for any corporate purpose
28 except for the following:

29 (i) tax anticipation or aid anticipation certificates of
30 indebtedness;

31 (ii) certificates of indebtedness issued under sections
32 298.28 and 298.282;

33 (iii) certificates of indebtedness used to fund current
34 expenses or to pay the costs of extraordinary expenditures that
35 result from a public emergency; or

36 (iv) certificates of indebtedness used to fund an

1 insufficiency in tax receipts or an insufficiency in other
2 revenue sources;

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

6 (4) to fund payments made to the Minnesota State Armory
7 Building Commission under section 193.145, subdivision 2, to
8 retire the principal and interest on armory construction bonds;

9 (5) property taxes approved by voters which are levied
10 against the referendum market value as provided under section
11 275.61;

12 (6) to fund matching requirements needed to qualify for
13 federal or state grants or programs to the extent that either
14 (i) the matching requirement exceeds the matching requirement in
15 calendar year 2001, or (ii) it is a new matching requirement
16 that did not exist prior to 2002;

17 (7) to pay the expenses reasonably and necessarily incurred
18 in preparing for or repairing the effects of natural disaster
19 including the occurrence or threat of widespread or severe
20 damage, injury, or loss of life or property resulting from
21 natural causes, in accordance with standards formulated by the
22 Emergency Services Division of the state Department of Public
23 Safety, as allowed by the commissioner of revenue under section
24 275.74, subdivision 2;

25 (8) pay amounts required to correct an error in the levy
26 certified to the county auditor by a city or county in a levy
27 year, but only to the extent that when added to the preceding
28 year's levy it is not in excess of an applicable statutory,
29 special law or charter limitation, or the limitation imposed on
30 the governmental subdivision by sections 275.70 to 275.74 in the
31 preceding levy year;

32 (9) to pay an abatement under section 469.1815;

33 (10) to pay any costs attributable to increases in the
34 employer contribution rates under chapter 353 that are effective
35 after June 30, 2001;

36 (11) to pay the operating or maintenance costs of a county

1 jail as authorized in section 641.01 or 641.262, or of a
2 correctional facility as defined in section 241.021, subdivision
3 1, paragraph (f), to the extent that the county can demonstrate
4 to the commissioner of revenue that the amount has been included
5 in the county budget as a direct result of a rule, minimum
6 requirement, minimum standard, or directive of the Department of
7 Corrections, or to pay the operating or maintenance costs of a
8 regional jail as authorized in section 641.262. For purposes of
9 this clause, a district court order is not a rule, minimum
10 requirement, minimum standard, or directive of the Department of
11 Corrections. If the county utilizes this special levy, except
12 to pay operating or maintenance costs of a new regional jail
13 facility under sections 641.262 to 641.264 which will not
14 replace an existing jail facility, any amount levied by the
15 county in the previous levy year for the purposes specified
16 under this clause and included in the county's previous year's
17 levy limitation computed under section 275.71, shall be deducted
18 from the levy limit base under section 275.71, subdivision 2,
19 when determining the county's current year levy limitation. The
20 county shall provide the necessary information to the
21 commissioner of revenue for making this determination;

22 (12) to pay for operation of a lake improvement district,
23 as authorized under section 103B.555. If the county utilizes
24 this special levy, any amount levied by the county in the
25 previous levy year for the purposes specified under this clause
26 and included in the county's previous year's levy limitation
27 computed under section 275.71 shall be deducted from the levy
28 limit base under section 275.71, subdivision 2, when determining
29 the county's current year levy limitation. The county shall
30 provide the necessary information to the commissioner of revenue
31 for making this determination;

32 (13) to repay a state or federal loan used to fund the
33 direct or indirect required spending by the local government due
34 to a state or federal transportation project or other state or
35 federal capital project. This authority may only be used if the
36 project is not a local government initiative;

1 (14) to pay for court administration costs as required
2 under section 273.1398, subdivision 4b, less the (i) county's
3 share of transferred fines and fees collected by the district
4 courts in the county for calendar year 2001 and (ii) the aid
5 amount certified to be paid to the county in 2004 under section
6 273.1398, subdivision 4c; however, for taxes levied to pay for
7 these costs in the year in which the court financing is
8 transferred to the state, the amount under this clause is
9 limited to the amount of aid the county is certified to receive
10 under section 273.1398, subdivision 4a; and

11 (15) to fund a police or firefighters relief association as
12 required under section 69.77 to the extent that the required
13 amount exceeds the amount levied for this purpose in 2001; and

14 (16) to pay for the maintenance and support of a city or
15 county society for the prevention of cruelty to animals under
16 section 343.11. If the city or county uses this special levy,
17 any amount levied by the city or county in the previous levy
18 year for the purposes specified in this clause and included in
19 the city's or county's previous year's levy limit computed under
20 section 275.71, must be deducted from the levy limit base under
21 section 275.71, subdivision 2, in determining the city's or
22 county's current year levy limit.

23 [EFFECTIVE DATE.] This section is effective for taxes
24 levied in 2005, payable in 2006, and thereafter.

25 Sec. 49. Minnesota Statutes 2004, section 276.04,
26 subdivision 2, is amended to read:

27 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
28 shall provide for the printing of the tax statements. The
29 commissioner of revenue shall prescribe the form of the property
30 tax statement and its contents. The statement must contain a
31 tabulated statement of the dollar amount due to each taxing
32 authority and the amount of the state tax from the parcel of
33 real property for which a particular tax statement is prepared.
34 The dollar amounts attributable to the county, the state tax,
35 the voter approved school tax, the other local school tax, the
36 township or municipality, and the total of the metropolitan

1 special taxing districts as defined in section 275.065,
2 subdivision 3, paragraph (i), must be separately stated. The
3 amounts due all other special taxing districts, if any, may be
4 aggregated. If the county levy under this paragraph includes an
5 amount for a lake improvement district as defined under sections
6 103B.501 to 103B.581, the amount attributable for that purpose
7 must be separately stated from the remaining county levy
8 amount. In the case of Ramsey County, if the county levy under
9 this paragraph includes an amount for public library service
10 under section 134.07, the amount attributable for that purpose
11 may be separately stated from the remaining county levy amount.
12 The amount of the tax on homesteads qualifying under the senior
13 citizens' property tax deferral program under chapter 290B is
14 the total amount of property tax before subtraction of the
15 deferred property tax amount. The amount of the tax on
16 contamination value imposed under sections 270.91 to 270.98, if
17 any, must also be separately stated. The dollar amounts,
18 including the dollar amount of any special assessments, may be
19 rounded to the nearest even whole dollar. For purposes of this
20 section whole odd-numbered dollars may be adjusted to the next
21 higher even-numbered dollar. The amount of market value
22 excluded under section 273.11, subdivision 16, if any, must also
23 be listed on the tax statement.

24 (b) The property tax statements for manufactured homes and
25 sectional structures taxed as personal property shall contain
26 the same information that is required on the tax statements for
27 real property.

28 (c) Real and personal property tax statements must contain
29 the following information in the order given in this paragraph.
30 The information must contain the current year tax information in
31 the right column with the corresponding information for the
32 previous year in a column on the left:

33 (1) the property's estimated market value under section
34 273.11, subdivision 1;

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

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

4 (4) a total of the following aids:

5 (i) education aids payable under chapters 122A, 123A, 123B,
6 124D, 125A, 126C, and 127A;

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

9 (iii) disparity reduction aid under section 273.1398; and

10 (iv) homestead and agricultural credit aid under section
11 273.1398;

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

14 (6) any credits received under sections 273.119; 273.123;
15 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
16 473H.10, except that the amount of credit received under section
17 273.135 must be separately stated and identified as "taconite
18 tax relief"; and

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

21 (d) If the county uses envelopes for mailing property tax
22 statements and if the county agrees, a taxing district may
23 include a notice with the property tax statement notifying
24 taxpayers when the taxing district will begin its budget
25 deliberations for the current year, and encouraging taxpayers to
26 attend the hearings. If the county allows notices to be
27 included in the envelope containing the property tax statement,
28 and if more than one taxing district relative to a given
29 property decides to include a notice with the tax statement, the
30 county treasurer or auditor must coordinate the process and may
31 combine the information on a single announcement.

32 The commissioner of revenue shall certify to the county
33 auditor the actual or estimated aids enumerated in clause (4)
34 that local governments will receive in the following year. The
35 commissioner must certify this amount by January 1 of each year.

36 **[EFFECTIVE DATE.]** This section is effective for property

1 tax statements for taxes payable in 2006 and thereafter.

2 Sec. 50. [278.021] [PETITIONS INVOLVING LOW-INCOME RENTAL
3 HOUSING PROPERTY.]

4 Notwithstanding section 278.02, in the case of real
5 property that meets the definition of qualifying low-income
6 housing rental property established in section 273.126, the
7 petition may include any and all such parcels of real property
8 in which the petitioner has an estate, right, title, interest,
9 or lien, except that all such parcels included in the petition
10 must be located in the same county. Contiguous qualifying
11 low-income rental housing property overlapping county boundaries
12 may be included in the same petition.

13 Sec. 51. Minnesota Statutes 2004, section 278.03,
14 subdivision 1, is amended to read:

15 Subdivision 1. [REAL PROPERTY.] ~~In-the-case-of-real~~
16 ~~property~~; If the proceedings instituted by the filing of the
17 petition have not been completed before the 16th day of May next
18 following the filing or, in the case of class 1c property or
19 class 4c resort property before the 16th day of June for taxes
20 payable in 2006 and 2007 only, the petitioner shall pay to the
21 county treasurer 50 percent of the tax levied for such year
22 against the property involved, unless permission to continue
23 prosecution of the petition without such payment is obtained as
24 herein provided. If the proceedings instituted by the filing of
25 the petition have not been completed by the next October 16, or,
26 in the case of class 1b agricultural homestead, class 2a
27 agricultural homestead, and class 2b(2) agricultural
28 nonhomestead property, November 16, the petitioner shall pay to
29 the county treasurer 50 percent of the unpaid balance of the
30 taxes levied for the year against the property involved if the
31 unpaid balance is \$2,000 or less and 80 percent of the unpaid
32 balance if the unpaid balance is over \$2,000, unless permission
33 to continue prosecution of the petition without payment is
34 obtained as herein provided. The petitioner, upon ten days'
35 notice to the county attorney and to the county auditor, given
36 at least ten days prior to the 16th day of May or, in the case

1 of class 1c or class 4c resort property, the 16th day of June
2 for taxes payable in 2006 and 2007 only, or the 16th day of
3 October, or, in the case of class 1b agricultural homestead,
4 class 2a agricultural homestead, and class 2b(2) agricultural
5 nonhomestead property, the 16th day of November, may apply to
6 the court for permission to continue prosecution of the petition
7 without payment; and, if it is made to appear

8 (1) that the proposed review is to be taken in good faith;

9 (2) that there is probable cause to believe that the
10 property may be held exempt from the tax levied or that the tax
11 may be determined to be less than 50 percent of the amount
12 levied; and

13 (3) that it would work a hardship upon petitioner to pay
14 the taxes due,

15 the court may permit the petitioner to continue prosecution
16 of the petition without payment, or may fix a lesser amount to
17 be paid as a condition of continuing the prosecution of the
18 petition.

19 Failure to make payment of the amount required when due
20 shall operate automatically to dismiss the petition and all
21 proceedings thereunder unless the payment is waived by an order
22 of the court permitting the petitioner to continue prosecution
23 of the petition without payment. The petition shall be
24 automatically reinstated upon payment of the entire tax plus
25 interest and penalty if the payment is made within one year of
26 the dismissal. The county treasurer shall, upon request of the
27 petitioner, issue duplicate receipts for the tax payment, one of
28 which shall be filed by the petitioner in the proceeding.

29 Sec. 52. Minnesota Statutes 2004, section 279.01,
30 subdivision 1, is amended to read:

31 Subdivision 1. [DUE DATES; PENALTIES.] Except as provided
32 in ~~subdivision 3-er-4~~ this section, on May 16 or 21 days after
33 the postmark date on the envelope containing the property tax
34 statement, whichever is later, a penalty shall accrue and
35 thereafter be charged upon all unpaid taxes on real estate on
36 the current lists in the hands of the county treasurer. The

1 penalty shall be at a rate of two percent on homestead property
2 until May 31 and four percent on June 1. The penalty on
3 nonhomestead property shall be at a rate of four percent until
4 May 31 and eight percent on June 1. This penalty shall not
5 accrue until June 1 of each year, or 21 days after the postmark
6 date on the envelope containing the property tax statements,
7 whichever is later, on commercial use real property used for
8 seasonal residential recreational purposes and classified as
9 class 1c or 4c, and on other commercial use real property
10 classified as class 3a, provided that over 60 percent of the
11 gross income earned by the enterprise on the class 3a property
12 is earned during the months of May, June, July, and August. Any
13 property owner of such class 3a property who pays the first half
14 of the tax due on the property after May 15 and before June 1,
15 or 21 days after the postmark date on the envelope containing
16 the property tax statement, whichever is later, shall attach an
17 affidavit to the payment attesting to compliance with the income
18 provision of this subdivision. Thereafter, for both homestead
19 and nonhomestead property, on the first day of each month
20 beginning July 1, up to and including October 1 following, an
21 additional penalty of one percent for each month shall accrue
22 and be charged on all such unpaid taxes provided that if the due
23 date was extended beyond May 15 as the result of any delay in
24 mailing property tax statements no additional penalty shall
25 accrue if the tax is paid by the extended due date. If the tax
26 is not paid by the extended due date, then all penalties that
27 would have accrued if the due date had been May 15 shall be
28 charged. When the taxes against any tract or lot exceed \$50,
29 one-half thereof may be paid prior to May 16 or 21 days after
30 the postmark date on the envelope containing the property tax
31 statement, whichever is later; and, if so paid, no penalty shall
32 attach; the remaining one-half shall be paid at any time prior
33 to October 16 following, without penalty; but, if not so paid,
34 then a penalty of two percent shall accrue thereon for homestead
35 property and a penalty of four percent on nonhomestead
36 property. Thereafter, for homestead property, on the first day

1 of November an additional penalty of four percent shall accrue
2 and on the first day of December following, an additional
3 penalty of two percent shall accrue and be charged on all such
4 unpaid taxes. Thereafter, for nonhomestead property, on the
5 first day of November and December following, an additional
6 penalty of four percent for each month shall accrue and be
7 charged on all such unpaid taxes. If one-half of such taxes
8 shall not be paid prior to May 16 or 21 days after the postmark
9 date on the envelope containing the property tax statement,
10 whichever is later, the same may be paid at any time prior to
11 October 16, with accrued penalties to the date of payment added,
12 and thereupon no penalty shall attach to the remaining one-half
13 until October 16 following.

14 This section applies to payment of personal property taxes
15 assessed against improvements to leased property, except as
16 provided by section 277.01, subdivision 3.

17 A county may provide by resolution that in the case of a
18 property owner that has multiple tracts or parcels with
19 aggregate taxes exceeding \$50, payments may be made in
20 installments as provided in this subdivision.

21 The county treasurer may accept payments of more or less
22 than the exact amount of a tax installment due. If the accepted
23 payment is less than the amount due, payments must be applied
24 first to the penalty accrued for the year the payment is made.
25 Acceptance of partial payment of tax does not constitute a
26 waiver of the minimum payment required as a condition for filing
27 an appeal under section 278.03 or any other law, nor does it
28 affect the order of payment of delinquent taxes under section
29 280.39.

30 Sec. 53. Minnesota Statutes 2004, section 279.01, is
31 amended by adding a subdivision to read:

32 Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY USED
33 FOR COMMERCIAL PURPOSES.] For taxes payable in 2006 and 2007
34 only, in the case of class 1c property and class 4c seasonal
35 residential recreational property used for commercial purposes,
36 no penalties shall accrue to the first one-half property tax

1 payment as provided in this section if paid by June 15. On June
2 16, a penalty shall accrue and thereafter be charged upon all
3 unpaid taxes. On class 1c property the penalty is at a rate of
4 two percent until June 31, and four percent on July 1. On class
5 4c seasonal residential recreational property used for
6 commercial purposes, the penalty is four percent until June 31
7 and eight percent on July 1. Thereafter, for both class 1c and
8 class 4c seasonal residential recreational property used for
9 commercial purposes, on the first day of September and on the
10 first day of October, an additional penalty of one percent shall
11 accrue and be charged on unpaid taxes. The remaining one-half
12 property taxes must be paid and penalties accrue as provided in
13 subdivision 1.

14 Sec. 54. [290.0621] [SCHOOL REFERENDUM TAX.]

15 Subdivision 1. [IMPOSITION.] In addition to all other
16 taxes imposed by this chapter, a tax is imposed on individuals
17 who are domiciled on the last day of the taxable year within the
18 territory of a school district in which the voters approved an
19 income tax increase at a referendum conducted under section
20 126C.17, subdivision 9, for that purpose in 2006 or a subsequent
21 year. This tax does not apply to referendums on bond issues.
22 Individuals domiciled in the district on the last day of the
23 taxable year are subject to the tax.

24 Subd. 2. [RATE.] The commissioner of revenue shall
25 annually determine the rate of the tax imposed under this
26 section as a percentage of the state income tax liability of
27 individuals subject to the tax by each district. The school
28 referendum tax rate is equal to the ratio of (i) the district's
29 local effort revenue under section 126C.17, subdivision 6b, to
30 (ii) the state income tax liability of all individuals domiciled
31 in the district on the last day of the previous taxable year.

32 Subd. 3. [REVENUE DISTRIBUTION.] Revenue raised in
33 subdivision 1 must be placed in a special account in the general
34 fund. The amount necessary to make payments to school districts
35 under this section is annually appropriated from the general
36 fund to the commissioner of education and must be paid to school

1 districts according to section 127A.45.

2 Sec. 55. Minnesota Statutes 2004, section 343.11, is
3 amended to read:

4 343.11 [ACQUISITION OF PROPERTY; APPROPRIATIONS.]

5 Every county and district society for the prevention of
6 cruelty to animals may acquire, by purchase, gift, grant, or
7 devise, and hold, use, or convey, real estate and personal
8 property, and lease, mortgage, sell, or use the same in any
9 manner conducive to its interest, to the same extent as natural
10 persons. The county board of any county, or the council of any
11 city, in which such societies exist, may, in its discretion,
12 appropriate for the maintenance and support of such societies in
13 the transaction of the work for which they are organized, any
14 sums of money not otherwise appropriated, not to exceed in any
15 one year the sum of \$4,800 or the sum of 50-cents \$1 per capita
16 based upon the county's or city's population as of the most
17 recent federal census, whichever is greater; provided, that no
18 part of the appropriation shall be expended for the payment of
19 the salary of any officer of the society.

20 [EFFECTIVE DATE.] This section is effective January 1, 2006.

21 Sec. 56. Minnesota Statutes 2004, section 462A.071,
22 subdivision 6, is amended to read:

23 Subd. 6. [SECTION 8, TAX CREDIT, AND RURAL HOUSING SERVICE
24 UNITS.] (a) The agency may deem units as meeting the

25 requirements of section 273.126 and this section, if the units:

26 ~~(1)-are-subject-to-a-housing-assistance-payments-contract~~
27 ~~under-section-8-of-the-United-States-Housing-Act-of-1937,-as~~
28 ~~amended;~~

29 ~~(2)-are-rent-and-income-restricted-units-of-a-qualified~~
30 ~~low-income-housing-project-receiving-tax-credits-under-section~~
31 ~~42(g)-of-the-Internal-Revenue-Code-of-1986,-as-amended,-or~~

32 ~~(3)-are-financed-by-the-Rural-Housing-Service-of-the-United~~
33 ~~States-Department-of-Agriculture-and-receive-payments-under-the~~
34 ~~rental-assistance-program-pursuant-to-section-521(a)-of-the~~
35 ~~Housing-Act-of-1949,-as-amended~~ meet the requirements provided
36 in section 273.1321, subdivision 1.

1 (b) The agency may certify these deemed units under
2 subdivision 1 based on a simplified application procedure that
3 verifies the unit's qualifications under paragraph (a).

4 Sec. 57. Minnesota Statutes 2004, section 473F.08, is
5 amended by adding a subdivision to read:

6 Subd. 3c. [UNCOMPENSATED CARE REIMBURSEMENT.] (a) As used
7 in this subdivision, the following terms have the meanings given
8 in this paragraph.

9 (1) "Uncompensated care" means the sum of (i) the amount
10 that would have been charged by a facility for rendering free or
11 discounted care to persons who cannot afford to pay and for
12 which the facility did not expect payment and (ii) the amount
13 that had been charged by a facility for rendering care to
14 persons and billed to that person or a third-party payer for
15 which the facility expected but did not receive payment.
16 Uncompensated care does not include contractual write-offs.

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

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

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

24 (b) A county that contains a qualifying hospital is
25 eligible for reimbursement of that portion of gross charges for
26 uncompensated care determined by multiplying the hospital's
27 gross charges during the base year by the percentage of
28 uncompensated care provided by the hospital during the base year
29 minus one-half of one percent of those gross charges, dividing
30 the result by two, and adjusting to cost by multiplying that
31 result by the hospital's cost-to-charge ratio during the base
32 year. By July 15, 2006, and each subsequent year, the county
33 shall notify its county auditor, as well as the administrative
34 auditor, of the amount of qualifying uncompensated care
35 provided, adjusted to cost using the hospital's cost-to-charge
36 ratio, during the 12-month period ending on June 30 of the

1 current year.

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

6 (d) The administrative auditor shall pay one-half of the
7 reimbursement to the county auditor of the county that contains
8 the qualifying hospital on or before June 15 and the remaining
9 one-half of the reimbursement on or before November 15. The
10 county auditor receiving the payment shall disburse the
11 reimbursement to the qualifying hospital within 15 days of
12 receipt of the reimbursement.

13 (e) Prior to the reporting specified in paragraph (b)
14 above, all qualifying hospitals that participate in this program
15 shall agree upon and implement a common standard for reporting
16 uncompensated care, and a common standard for determining
17 eligibility for uncompensated care for all participating
18 hospitals.

19 [EFFECTIVE DATE.] This section is effective for fiscal
20 disparities contribution and distribution tax capacities for
21 taxes payable in 2007 and 2008 only.

22 Sec. 58. Minnesota Statutes 2004, section 473F.08, is
23 amended by adding a subdivision to read:

24 Subd. 3d. [HENNEPIN COUNTY PUBLIC DEFENDER COST
25 REIMBURSEMENT.] (a) Hennepin County is eligible for
26 reimbursement of costs incurred by the county under section
27 611.26, subdivision 3a, paragraph (c). By July 15, 2006, and
28 each subsequent year, the county shall notify the county auditor
29 and the administrative auditor, of the amount of that cost
30 incurred by the county during the 12-month period ending on June
31 30 of the current year.

32 (b) The reimbursement under this subdivision for costs
33 incurred during the 12-month period ending June 30, 2006, is
34 equal to 25 percent of those costs. The reimbursement under
35 this subdivision for costs incurred during the 12-month period
36 ending June 30, 2007, is equal to 50 percent of those costs.

1 (c) The amount certified under paragraph (b) shall be
2 certified annually by the Hennepin County auditor to the
3 administrative auditor as an addition to the county's areawide
4 levy under subdivision 5.

5 (d) The administrative auditor shall pay one-half of the
6 reimbursement to the Hennepin County auditor on or before June
7 15 and the remaining one-half of the reimbursement on or before
8 November 15.

9 [EFFECTIVE DATE.] This section is effective for fiscal
10 disparities contribution and distribution tax capacities for
11 taxes payable in 2007 and 2008 only.

12 Sec. 59. Laws 1998, chapter 389, article 3, section 41, is
13 amended to read:

14 Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

15 Notwithstanding Minnesota Statutes, chapter 429, a city may
16 defer the payment of any special assessment levied against a
17 property qualifying under section 38 as determined by the city.
18 Any special assessment, the payment of which has been deferred
19 by the city, must be paid in full or a payment agreement may be
20 approved by the city if the ownership of property is transferred
21 to anyone or any entity. Payment or a payment agreement must be
22 made within 60 days of the transfer of ownership.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 60. Laws 1998, chapter 389, article 3, section 42,
26 subdivision 2, as amended by Laws 2002, chapter 377, article 4,
27 section 24, is amended to read:

28 Subd. 2. [RECAPTURE.] (a) Property or any portion thereof
29 qualifying under section 38 is subject to additional taxes if:

30 (1) ownership of the property is transferred to anyone
31 other than the spouse or child of the current owner;

32 (2) the current owner or the spouse or child of the current
33 owner has not conveyed or entered into a contract before July 1,
34 2007, to convey for ownership or public easement rights, (i) a
35 portion of the property to a one or more nonprofit foundation
36 foundations or corporation-operating corporations; and (ii) a

1 portion of the property to one or more local governments; and
2 those entities shall separately or jointly operate the property
3 as an art park providing the services included in section 38,
4 clauses (2) to (5), and may also use some of the property for
5 other public purposes as determined by the local governments; or

6 (3) the nonprofit foundation or corporation to which a
7 portion of the property was transferred ceases to provide the
8 services included in section 38, clauses (2) to (5), earlier
9 than ten years following the effective date of the ~~conveyance~~
10 conveyances or of the execution of the ~~contract~~ contracts to
11 convey.

12 (b) The additional taxes are imposed at the earlier of (1)
13 the year following transfer of ownership to anyone other than
14 the spouse or child of the current owner or a nonprofit
15 foundation or corporation or local government operating the
16 property as an art park and used for other public purposes, or
17 (2) for taxes payable in 2008, or (3) in the event the nonprofit
18 foundation or corporation to which a portion of the property was
19 conveyed ceases to provide the required services within ten
20 years after the conveyance, for taxes payable in the year
21 following the year when it ceased to do so.

22 The county board, with the approval of the city council,
23 shall determine the amount of the additional taxes due on the
24 portion of property which is no longer utilized as an art park;
25 provided, however, that the additional taxes are-equal-to must
26 not be greater than the difference between the taxes determined
27 on that portion of the property utilized as an art park under
28 sections 39 and 40 and the amount determined under subdivision 1
29 for all years that the property qualified under section 38. ~~The~~
30 ~~additional-taxes-must-be-extended-against-the-property-on-the~~
31 ~~tax-list-for-the-current-year, provided, however, that~~ No
32 interest or penalties may be levied on the additional ~~taxes-if~~
33 ~~timely-paid~~ amount provided that it is paid within 30 days of
34 the county's notice.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 61. Laws 2001, First Special Session chapter 5,
2 article 3, section 8, the effective date, is amended to read:

3 **[EFFECTIVE DATE.]** This section is effective for taxes
4 levied in 2002, payable in 2003, through taxes levied in ~~2007~~
5 2009, payable in ~~2008~~ 2010.

6 Sec. 62. Laws 2003, chapter 127, article 12, section 38,
7 is amended to read:

8 Sec. 38. **[MEMBERS-MUST AUTHORITY TO LEVY TAXES FOR**
9 **AUTHORITY.**]

10 ~~(a)-A member shall, at the request of the authority, levy a~~
11 ~~tax in any year for the benefit of the authority. The authority~~
12 is a special taxing district as defined in Minnesota Statutes,
13 section 275.066, clause (13), with the power to adopt and
14 certify a property tax levy to the county auditor. The
15 authority may levy a tax in any year for the benefit of the
16 authority. The tax is, for each member, is a pro rata portion
17 of the total amount of tax requested by the authority based on
18 the taxable market value within a the member's jurisdiction, but
19 in no event may the tax in any year exceed 0.01813 percent of
20 taxable market value. For purposes of this section, "taxable
21 market value" has the meaning as given in Minnesota Statutes,
22 section 273.032.

23 ~~(b)-The treasurer of each member city or town shall, within~~
24 ~~15 days after receiving the property tax settlements from the~~
25 ~~county treasurer, pay to the treasurer of the authority the~~
26 ~~amount collected for this purpose. The money must be used by~~
27 ~~the authority for the purposes provided by sections 35 to 41.~~

28 **[EFFECTIVE DATE.]** This section is effective for taxes
29 levied in 2005, payable in 2006, and thereafter.

30 Sec. 63. Laws 2003, First Special Session chapter 21,
31 article 4, section 12, subdivision 11, is amended to read:

32 Subd. 11. **[EFFECTIVE DATE; LOCAL APPROVAL.]** This section
33 is effective the day after the governing body of St. Louis
34 county and its chief clerical officer timely complete their
35 compliance with Minnesota Statutes, section 645.021,
36 subdivisions 2 and 3, provided that the certificate of approval

1 is filed with the secretary of state before January 1, 2006.

2 ~~If effective before September 17, 2003, the first levy is~~
3 ~~the payable 2004 levy; If effective between September 17, 2003,~~
4 ~~and September 17, 2004, the first levy is the payable 2005 levy;~~
5 If effective after August 31, 2004, before September 1, 2005,
6 the first levy is the payable 2006 levy; and if effective after
7 August 31, 2005, the first levy is the payable 2007 levy.

8 Sec. 64. [PROPERTY USED FOR EDUCATIONAL INSTRUCTION.]

9 Notwithstanding Minnesota Statutes, section 272.02,
10 subdivision 38, paragraph (b), the following property is exempt
11 from taxation for assessment year 2004, for taxes payable in
12 2005, if it meets all the following criteria:

13 (1) is used to provide direct educational instruction for
14 grades 7 through 12;

15 (2) is located in a city of the first class that has a
16 population greater than 250,000 and less than 350,000;

17 (3) was purchased after July 1, 2004, by a nonprofit that
18 is exempt from federal income tax under section 501(c)(3) of the
19 Internal Revenue Code; and

20 (4) is leased and operated by two nonprofit corporations
21 organized under Minnesota Statutes, chapter 317A.

22 [EFFECTIVE DATE.] This section is effective the day
23 following final enactment.

24 Sec. 65. [EDUCATION RESERVE ACCOUNT; APPROPRIATION.]

25 (a) There is created in the state treasury an education
26 reserve account as a special revenue fund for deposit of
27 appropriations and other receipts as provided by law.

28 (b) Beginning with taxes payable in 2008, the commissioner
29 of finance shall deposit in the education reserve account the
30 increased amount of the state general levy for that year over
31 the state general levy base amount for taxes payable in 2002,
32 under Minnesota Statutes, section 275.025.

33 (c) Each year, one-half of the annual amount will be
34 deposited in the education reserve account in the state fiscal
35 year corresponding to the first six months of the calendar year,
36 and the other half will be deposited in the state fiscal year

1 corresponding to the last six months of the calendar year. The
2 amounts in the education reserve account do not lapse or cancel
3 each year, but remain until appropriated by law for education
4 aid or higher education funding.

5 Sec. 66. [STUDY OF POLLUTION CONTROL EXEMPTION.]

6 The commissioner of revenue must study the application of
7 the property tax exemption provided under Minnesota Statutes,
8 section 272.02, subdivision 10, to personal property used for
9 pollution control as part of an electric generation system. The
10 commissioner must present a recommendation to the legislature by
11 January 15, 2006, that would limit the exemption to property
12 that is directly and exclusively used for pollution control
13 purposes.

14 Sec. 67. [SAUK RIVER WATERSHED DISTRICT.]

15 Notwithstanding Minnesota Statutes, section 103D.905,
16 subdivision 3, the Sauk River Watershed District may annually
17 levy up to 0.01 percent of taxable market value for its
18 administrative fund.

19 [EFFECTIVE DATE.] This section is effective, without local
20 approval, for taxes levied in 2005, payable in 2006, and
21 thereafter.

22 Sec. 68. [COMMERCIAL-INDUSTRIAL LAND VALUE TAXATION; LOCAL
23 OPTION.]

24 The governing body of any municipality that has a
25 population in excess of 70,000, or any municipality located in
26 the taconite tax relief area defined in Minnesota Statutes,
27 section 273.134, may by resolution adopt a system of valuing
28 commercial-industrial property in its jurisdiction that is based
29 on the value of the land, not including improvements. The
30 governing body may make the election under this section if it
31 finds that implementation of the land value system will enhance
32 economic development in the city. An election under this
33 section must be made by December 31, 2005. If any municipality
34 makes the election, it must notify the commissioner of revenue
35 of the election and the legislature must enact during the 2006
36 legislative session the legislation necessary to implement the

1 system for taxes levied in 2006, payable in 2007, and thereafter.

2 Sec. 69. [STUDY REQUIRED.]

3 By February 1, 2006, the fiscal staff of the house of
4 representatives and senate shall conduct a study of the
5 metropolitan revenue distribution program contained in Minnesota
6 Statutes, chapter 473F, commonly known as the fiscal disparities
7 program, and shall make a report by March 1, 2006, to the chairs
8 of the house and senate tax committees consisting of the
9 findings of the study and any recommendations resulting from the
10 study.

11 The study shall primarily address the question of whether
12 the program is achieving the purposes for which it was created.
13 Additionally, the study shall address the following questions:

14 (1) How has the program affected property tax disparities
15 across the Twin Cities metropolitan area?

16 (2) Is the formula for contributing tax base to the
17 areawide pool reasonable? Should certain commercial-industrial
18 tax base continue to be exempt from contribution to the areawide
19 pool, such as tax base in existence prior to 1979, tax base in
20 tax increment financing districts established before 1979, and
21 tax base located at the Minneapolis-St. Paul International
22 Airport? Should contribution amounts be adjusted for
23 differences in sales ratios between communities?

24 (3) Is the formula for distributing tax base from the
25 areawide pool reasonable? Should the formula reflect measures
26 of need in addition to population? Should the distribution
27 formula be based on tax capacity rather than market value?

28 (4) Does the program help promote orderly growth and
29 encourage environmentally sound land use?

30 (5) Does the program reduce competition for
31 commercial-industrial tax base between communities? Is reduced
32 competition for commercial-industrial tax base desirable?

33 (6) Do local governments derive sufficient tax revenues
34 from commercial-industrial property to cover the costs of
35 providing services to the property, considering the tax base
36 that must be contributed to the areawide pool?

1 (7) Could improvements be made in the administration of the
2 program?

3 [EFFECTIVE DATE.] This section is effective July 1, 2005.
4 Sec. 70. [FEE STUDIES.]

5 Subdivision 1. [STATE AGENCY FEES.] The commissioner of
6 each state agency that imposes any fee on individuals or
7 businesses in this state must report to the commissioner of
8 revenue by January 15, 2006, on the type and amount of fees
9 imposed, amount and type of fee increases since January 1, 2003,
10 the revenues derived from each fee for each of the most recent
11 four fiscal years, and the use of the revenues from the fees.
12 The commissioner of revenue shall compile this information and
13 provide a comprehensive report on all state agency fees to the
14 finance and tax committees of the senate and the appropriations
15 and tax committees of the house of representatives by February
16 15, 2006.

17 Subd. 2. [SCHOOL FEES.] By January 15, 2006, the
18 Department of Education shall provide the house and senate
19 education finance divisions and tax committees with a report
20 that examines the total annual fees collected under Minnesota
21 Public School Fee Law, Minnesota Statutes, sections 123B.34 to
22 123B.39, in fiscal years 2002 to 2005. The report must detail
23 all different types of fees charged to Minnesota students under
24 the law. The report must report total fees statewide as well as
25 by school district and charter school.

26 Subd. 3. [CITY FEES.] Each home rule charter or statutory
27 city must report to the commissioner of revenue by January 15,
28 2006, on the type and amount of fees it imposes, amount and type
29 of fee increases since January 1, 2003, the revenues derived
30 from each fee for each of the most recent four calendar years,
31 and the use of the revenues from the fees. The commissioner of
32 revenue shall compile this information and provide a
33 comprehensive report on all city fees to the finance and tax
34 committees of the senate and the appropriations and tax
35 committees of the house of representatives by February 15, 2006.

ARTICLE ..

PUBLIC FINANCE

2

3 Section 1. Minnesota Statutes 2004, section 118A.05,
4 subdivision 5, is amended to read:

5 Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or
6 contracts for guaranteed investment contracts may be entered
7 into if they are issued or guaranteed by United States
8 commercial banks, domestic branches of foreign banks, United
9 States insurance companies, or their Canadian subsidiaries, or
10 the domestic affiliates of any of the foregoing. The credit
11 quality of the issuer's or guarantor's short- and long-term
12 unsecured debt must be rated in one of the two highest
13 categories by a nationally recognized rating agency. Should the
14 issuer's or guarantor's credit quality be downgraded below "A",
15 the government entity must have withdrawal rights.

16 Sec. 2. Minnesota Statutes 2004, section 275.70,
17 subdivision 5, is amended to read:

18 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
19 portions of ad valorem taxes levied by a local governmental unit
20 for the following purposes or in the following manner:

- 21 (1) to pay the costs of the principal and interest on
- 22 bonded indebtedness or to reimburse for the amount of liquor
- 23 store revenues used to pay the principal and interest due on
- 24 municipal liquor store bonds in the year preceding the year for

1 which the levy limit is calculated;

2 (2) to pay the costs of principal and interest on
3 certificates of indebtedness issued for any corporate purpose
4 except for the following:

5 (i) tax anticipation or aid anticipation certificates of
6 indebtedness;

7 (ii) certificates of indebtedness issued under sections
8 298.28 and 298.282;

9 (iii) certificates of indebtedness used to fund current
10 expenses or to pay the costs of extraordinary expenditures that
11 result from a public emergency; or

12 (iv) certificates of indebtedness used to fund an
13 insufficiency in tax receipts or an insufficiency in other
14 revenue sources;

15 (3) to provide for the bonded indebtedness portion of
16 payments made to another political subdivision of the state of
17 Minnesota;

18 (4) to fund payments made to the Minnesota State Armory
19 Building Commission under section 193.145, subdivision 2, to
20 retire the principal and interest on armory construction bonds;

21 (5) property taxes approved by voters which are levied
22 against the referendum market value as provided under section
23 275.61;

24 (6) to fund matching requirements needed to qualify for
25 federal or state grants or programs to the extent that either
26 (i) the matching requirement exceeds the matching requirement in
27 calendar year 2001, or (ii) it is a new matching requirement
28 that did not exist prior to 2002;

29 (7) to pay the expenses reasonably and necessarily incurred
30 in preparing for or repairing the effects of natural disaster
31 including the occurrence or threat of widespread or severe
32 damage, injury, or loss of life or property resulting from
33 natural causes, in accordance with standards formulated by the
34 Emergency Services Division of the state Department of Public
35 Safety, as allowed by the commissioner of revenue under section
36 275.74, subdivision 2;

1 (8) pay amounts required to correct an error in the levy
2 certified to the county auditor by a city or county in a levy
3 year, but only to the extent that when added to the preceding
4 year's levy it is not in excess of an applicable statutory,
5 special law or charter limitation, or the limitation imposed on
6 the governmental subdivision by sections 275.70 to 275.74 in the
7 preceding levy year;

8 (9) to pay an abatement under section 469.1815;

9 (10) to pay any costs attributable to increases in the
10 employer contribution rates under chapter 353 that are effective
11 after June 30, 2001;

12 (11) to pay the operating or maintenance costs of a county
13 jail as authorized in section 641.01 or 641.262, or of a
14 correctional facility as defined in section 241.021, subdivision
15 1, paragraph (f), to the extent that the county can demonstrate
16 to the commissioner of revenue that the amount has been included
17 in the county budget as a direct result of a rule, minimum
18 requirement, minimum standard, or directive of the Department of
19 Corrections, or to pay the operating or maintenance costs of a
20 regional jail as authorized in section 641.262. For purposes of
21 this clause, a district court order is not a rule, minimum
22 requirement, minimum standard, or directive of the Department of
23 Corrections. If the county utilizes this special levy, except
24 to pay operating or maintenance costs of a new regional jail
25 facility under sections 641.262 to 641.264 which will not
26 replace an existing jail facility, any amount levied by the
27 county in the previous levy year for the purposes specified
28 under this clause and included in the county's previous year's
29 levy limitation computed under section 275.71, shall be deducted
30 from the levy limit base under section 275.71, subdivision 2,
31 when determining the county's current year levy limitation. The
32 county shall provide the necessary information to the
33 commissioner of revenue for making this determination;

34 (12) to pay for operation of a lake improvement district,
35 as authorized under section 103B.555. If the county utilizes
36 this special levy, any amount levied by the county in the

1 previous levy year for the purposes specified under this clause
2 and included in the county's previous year's levy limitation
3 computed under section 275.71 shall be deducted from the levy
4 limit base under section 275.71, subdivision 2, when determining
5 the county's current year levy limitation. The county shall
6 provide the necessary information to the commissioner of revenue
7 for making this determination;

8 (13) to repay a state or federal loan used to fund the
9 direct or indirect required spending by the local government due
10 to a state or federal transportation project or other state or
11 federal capital project. This authority may only be used if the
12 project is not a local government initiative;

13 (14) to pay for court administration costs as required
14 under section 273.1398, subdivision 4b, less the (i) county's
15 share of transferred fines and fees collected by the district
16 courts in the county for calendar year 2001 and (ii) the aid
17 amount certified to be paid to the county in 2004 under section
18 273.1398, subdivision 4c; however, for taxes levied to pay for
19 these costs in the year in which the court financing is
20 transferred to the state, the amount under this clause is
21 limited to the amount of aid the county is certified to receive
22 under section 273.1398, subdivision 4a; and

23 (15) to fund a police or firefighters relief association as
24 required under section 69.77 to the extent that the required
25 amount exceeds the amount levied for this purpose in 2001; and

26 (16) for purposes of a storm sewer improvement district,
27 pursuant to section 444.20.

28 Sec. 3. Minnesota Statutes 2004, section 373.01,
29 subdivision 3, is amended to read:

30 Subd. 3. [CAPITAL NOTES.] (a) A county board may, by
31 resolution and without referendum, issue capital notes subject
32 to the county debt limit to purchase capital equipment useful
33 for county purposes that has an expected useful life at least
34 equal to the term of the notes. The notes shall be payable in
35 not more than ~~five~~ ten years and shall be issued on terms and
36 a manner the board determines. A tax levy shall be made for

1 payment of the principal and interest on the notes, in
2 accordance with section 475.61, as in the case of bonds.

3 (b) For purposes of this subdivision, "capital equipment"
4 means:

5 (1) public safety, ambulance, road construction or
6 maintenance, and medical equipment; and

7 (2) computer hardware and ~~original-operating-system~~
8 software, whether bundled with machinery or equipment or
9 unbundled, together with application development services and
10 training related to the use of the computer or software. The
11 authority to issue capital notes for ~~original-operating-systems~~
12 computer software and related services expires on July 1, 2005
13 2007.

14 Sec. 4. Minnesota Statutes 2004, section 373.40,
15 subdivision 1, is amended to read:

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

18 (a) "Bonds" means an obligation as defined under section
19 475.51.

20 (b) "Capital improvement" means acquisition or betterment
21 of public lands, ~~development-rights-in-the-form-of-conservation~~
22 ~~easements-under-chapter-84C,~~ buildings, or other improvements
23 within the county for the purpose of a county courthouse,
24 administrative building, health or social service facility,
25 correctional facility, jail, law enforcement center, hospital,
26 morgue, library, park, qualified indoor ice arena, and roads and
27 bridges, and the acquisition of development rights in the form
28 of conservation easements under chapter 84C. An improvement
29 must have an expected useful life of five years or more to
30 qualify. "Capital improvement" does not include light rail
31 transit or any activity related to it or a recreation or sports
32 facility building (such as, but not limited to, a gymnasium, ice
33 arena, racquet sports facility, swimming pool, exercise room or
34 health spa), unless the building is part of an outdoor park
35 facility and is incidental to the primary purpose of outdoor
36 recreation.

1 (c) "Commissioner" means the commissioner of employment and
2 economic development.

3 (d) "Metropolitan county" means a county located in the
4 seven-county metropolitan area as defined in section 473.121 or
5 a county with a population of 90,000 or more.

6 (e) "Population" means the population established by the
7 most recent of the following (determined as of the date the
8 resolution authorizing the bonds was adopted):

9 (1) the federal decennial census,

10 (2) a special census conducted under contract by the United
11 States Bureau of the Census, or

12 (3) a population estimate made either by the Metropolitan
13 Council or by the state demographer under section 4A.02.

14 (f) "Qualified indoor ice arena" means a facility that
15 meets the requirements of section 373.43.

16 (g) "Tax capacity" means total taxable market value, but
17 does not include captured market value.

18 Sec. 5. Minnesota Statutes 2004, section 410.32, is
19 amended to read:

20 410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL
21 EQUIPMENT.]

22 (a) Notwithstanding any contrary provision of other law or
23 charter, a home rule charter city may, by resolution and without
24 public referendum, issue capital notes subject to the city debt
25 limit to purchase capital equipment.

26 (b) For purposes of this section, "capital equipment" means:

27 (1) public safety equipment, ambulance and other medical
28 equipment, road construction and maintenance equipment, and
29 other capital equipment; and

30 (2) computer hardware and ~~original-operating-system~~
31 software, ~~provided whether bundled with machinery or equipment~~
32 or unbundled, together with application development services and
33 training related to the use of the computer or software.

34 (c) The equipment or software ~~has~~ must have an expected
35 useful life at least as long as the term of the notes. The
36 authority to issue capital notes for ~~original-operating-system~~

1 computer software and related services expires on July 1, 2005
2 2007.

3 (d) The notes shall be payable in not more than ~~five~~ ten
4 years and be issued on terms and in the manner the city
5 determines. The total principal amount of the capital notes
6 issued in a fiscal year shall not exceed 0.03 percent of the
7 market value of taxable property in the city for that year.

8 (e) A tax levy shall be made for the payment of the
9 principal and interest on the notes, in accordance with section
10 475.61, as in the case of bonds.

11 (f) Notes issued under this section shall require an
12 affirmative vote of two-thirds of the governing body of the city.

13 (g) Notwithstanding a contrary provision of other law or
14 charter, a home rule charter city may also issue capital notes
15 subject to its debt limit in the manner and subject to the
16 limitations applicable to statutory cities pursuant to section
17 412.301.

18 Sec. 6. Minnesota Statutes 2004, section 412.301, is
19 amended to read:

20 412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

21 (a) The council may issue certificates of indebtedness or
22 capital notes subject to the city debt limits to
23 purchase capital equipment.

24 (b) For purposes of this section, "capital equipment" means:

25 (1) public safety equipment, ambulance and other medical
26 equipment, road construction ~~or~~ and maintenance equipment, and
27 other capital equipment; and

28 (2) computer hardware and ~~original-operating-system~~
29 software, ~~provided whether bundled with machinery or equipment~~
30 or unbundled, together with application development services and
31 training related to the use of the computer or software.

32 (c) The equipment or software ~~has~~ must have an expected
33 useful life at least as long as the terms of the certificates or
34 notes. The authority to issue capital notes for original
35 operating system software expires on July 1, 2005 2007.

36 (d) Such certificates or notes shall be payable in not more

1 than ~~five~~ ten years and shall be issued on such terms and in
2 such manner as the council may determine.

3 (e) If the amount of the certificates or notes to be issued
4 to finance any such purchase exceeds 0.25 percent of the market
5 value of taxable property in the city, they shall not be issued
6 for at least ten days after publication in the official
7 newspaper of a council resolution determining to issue them; and
8 if before the end of that time, a petition asking for an
9 election on the proposition signed by voters equal to ten
10 percent of the number of voters at the last regular municipal
11 election is filed with the clerk, such certificates or notes
12 shall not be issued until the proposition of their issuance has
13 been approved by a majority of the votes cast on the question at
14 a regular or special election.

15 (f) A tax levy shall be made for the payment of the
16 principal and interest on such certificates or notes, in
17 accordance with section 475.61, as in the case of bonds.

18 Sec. 7. Minnesota Statutes 2004, section 428A.101, is
19 amended to read:

20 428A.101 [~~DEADLINE FOR SPECIAL SERVICE DISTRICT~~ DISTRICTS
21 UNDER GENERAL LAW.]

22 The establishment of a new special service district after
23 June 30, ~~2005~~ 2009, requires enactment of a special law
24 authorizing the establishment of the area.

25 Sec. 8. Minnesota Statutes 2004, section 428A.21, is
26 amended to read:

27 428A.21 [~~SUNSET DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS~~
28 UNDER GENERAL LAW.]

29 ~~No~~ The establishment of a new housing improvement areas may
30 ~~be established under area sections 428A.11 to 428A.20~~ after June
31 30, ~~2005~~ After June 30, 2009, a city may establish a housing
32 ~~improvement area, provided that it receives enabling legislation~~
33 2009, requires enactment of a special law authorizing the
34 establishment of the area.

35 Sec. 9. Minnesota Statutes 2004, section 429.031, is
36 amended by adding a subdivision to read:

1 Subd. 4. [IMPROVEMENTS; ORDERLY ANNEXATION.] An

2 improvement may be made by a municipality in an area that is the
3 subject of an orderly annexation agreement under section
4 414.0325 to which the municipality is a party. The municipality
5 may subsequently reimburse itself for all or any part of the
6 cost of such an improvement by levying assessments on the
7 property subject to the orderly annexation agreement, when
8 annexed, in the manner provided in section 429.051, but only if
9 the orderly annexation agreement includes a statement that the
10 municipality intends to do so.

11 Sec. 10. Minnesota Statutes 2004, section 429.051, is
12 amended to read:

13 429.051 [APPORTIONMENT OF COST.]

14 The cost of any improvement, or any part thereof, may be
15 assessed upon property benefited by the improvement, based upon
16 the benefits received, whether or not the property abuts on the
17 improvement and whether or not any part of the cost of the
18 improvement is paid from the county state-aid highway fund, the
19 municipal state-aid street fund, or the trunk highway fund. The
20 area assessed may be less than but may not exceed the area
21 proposed to be assessed as stated in the notice of hearing on
22 the improvement, except as provided below. The municipality may
23 pay such portion of the cost of the improvement as the council
24 may determine from general ad valorem tax levies or from other
25 revenues or funds of the municipality available for the
26 purpose. The municipality may subsequently reimburse itself for
27 all or any of the portion of the cost of ~~a-water,-storm-sewer,~~
28 ~~or-sanitary-sewer~~ an improvement so paid by levying additional
29 assessments upon any properties abutting on but not previously
30 assessed for the improvement, on notice and hearing as provided
31 for the assessments initially made. To the extent that such an
32 improvement benefits nonabutting properties which may be served
33 by the improvement when one or more later extensions or
34 improvements are made but which are not initially assessed
35 therefor, the municipality may also reimburse itself by adding
36 all or any of the portion of the cost so paid to the assessments

1 levied for any of such later extensions or improvements,
2 provided that notice that such additional amount will be
3 assessed is included in the notice of hearing on the making of
4 such extensions or improvements. The additional assessments
5 herein authorized may be made whether or not the properties
6 assessed were included in the area described in the notice of
7 hearing on the making of the original improvement.

8 In any city of the fourth class electing to proceed under a
9 home rule charter as provided in this chapter, which charter
10 provides for a board of water commissioners and authorizes such
11 board to assess a water frontage tax to defray the cost of
12 construction of water mains, such board may assess the tax based
13 upon the benefits received and without regard to any charter
14 limitation on the amount that may be assessed for each lineal
15 foot of property abutting on the water main. The water frontage
16 tax shall be imposed according to the procedure and, except as
17 herein provided, subject to the limitations of the charter of
18 the city.

19 Sec. 11. Minnesota Statutes 2004, section 452.25,
20 subdivision 3, is amended to read:

21 Subd. 3. [AUTHORITY.] (a) Upon the approval of its elected
22 utilities commission or, if there be none, its city council, a
23 municipal utility may enter into a joint venture with other
24 municipal utilities, municipal power agencies, cooperative
25 associations, ~~or~~ investor-owned utilities, or other private
26 investors to provide utility services. Retail electric utility
27 services provided by a joint venture must be within the
28 boundaries of each utility's exclusive electric service
29 territory as shown on the map of service territories maintained
30 by the department of commerce. The terms and conditions of the
31 joint venture are subject to ratification by the governing
32 bodies of the respective utilities and may include the formation
33 of a corporate or other separate legal entity with an
34 administrative and governance structure independent of the
35 respective utilities.

36 (b) A corporate or other separate legal entity, if formed:

1 (1) has the authority and legal capacity and, in the
2 exercise of the joint venture, the powers, privileges,
3 responsibilities, and duties authorized by this section;

4 (2) is subject to the laws and rules applicable to the
5 organization, internal governance, and activities of the entity;

6 (3) in connection with its property and affairs and in
7 connection with property within its control, may exercise any
8 and all powers that may be exercised by a natural person or a
9 private corporation or other private legal entity in connection
10 with similar property and affairs;

11 (4) a joint venture that does not include an investor-owned
12 utility may elect to be deemed a municipal utility or a
13 cooperative association for purposes of chapter 216B or other
14 federal or state law regulating utility operations; and

15 (5) for a joint venture that includes an investor-owned
16 utility, the commission has authority over the activities,
17 services, and rates of the joint venture, and may exercise that
18 authority, to the same extent the commission has authority over
19 the activities, services, and rates of the investor-owned
20 utility itself.

21 (c) Any corporation, if formed, must comply with section
22 465.719, subdivisions 9, 10, 11, 12, 13, and 14. The term
23 "political subdivision," as it is used in section 465.719, shall
24 refer to the city council of a city. In this paragraph,
25 "corporation" means a corporation organized under chapters 302A
26 and 317A.

27 Sec. 12. Minnesota Statutes 2004, section 469.034,
28 subdivision 2, is amended to read:

29 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
30 authority may pledge the general obligation of the general
31 jurisdiction governmental unit as additional security for bonds
32 payable from income or revenues of the project or the
33 authority. The authority must find that the pledged revenues
34 will equal or exceed 110 percent of the principal and interest
35 due on the bonds for each year. The proceeds of the bonds must
36 be used for a qualified housing development project or

1 projects. The obligations must be issued and sold in the manner
2 and following the procedures provided by chapter 475, except the
3 obligations are not subject to approval by the electors, and the
4 maturities may extend to not more than ~~30~~ 35 years ~~from the~~
5 ~~estimated-date-of-completion-of-the-project~~ for obligations sold
6 to finance housing for the elderly and 40 years for other
7 obligations issued under this subdivision. The authority is the
8 municipality for purposes of chapter 475.

9 (b) The principal amount of the issue must be approved by
10 the governing body of the general jurisdiction governmental unit
11 whose general obligation is pledged. Public hearings must be
12 held on issuance of the obligations by both the authority and
13 the general jurisdiction governmental unit. The hearings must
14 be held at least 15 days, but not more than 120 days, before the
15 sale of the obligations.

16 (c) The maximum amount of general obligation bonds that may
17 be issued and outstanding under this section equals the greater
18 of (1) one-half of one percent of the taxable market value of
19 the general jurisdiction governmental unit whose general
20 obligation ~~which includes a tax on property~~ is pledged, or (2)
21 \$3,000,000. In the case of county or multicounty general
22 obligation bonds, the outstanding general obligation bonds of
23 all cities in the county or counties issued under this
24 subdivision must be added in calculating the limit under clause
25 (1).

26 (d) "General jurisdiction governmental unit" means the city
27 in which the housing development project is located. In the
28 case of a county or multicounty authority, the county or
29 counties may act as the general jurisdiction governmental unit.
30 In the case of a multicounty authority, the pledge of the
31 general obligation is a pledge of a tax on the taxable property
32 in each of the counties.

33 (e) "Qualified housing development project" means a housing
34 development project providing housing either for the elderly or
35 for individuals and families with incomes not greater than 80
36 percent of the median family income as estimated by the United

1 States Department of Housing and Urban Development for the
2 standard metropolitan statistical area or the nonmetropolitan
3 county in which the project is located, and will be owned by the
4 authority for the term of the bonds. A qualified housing
5 development project may admit nonelderly individuals and
6 families with higher incomes if:

7 (1) three years have passed since initial occupancy;

8 (2) the authority finds the project is experiencing

9 unanticipated vacancies resulting in insufficient revenues,

10 because of changes in population or other unforeseen

11 circumstances that occurred after the initial finding of

12 adequate revenues; and

13 (3) the authority finds a tax levy or payment from general

14 assets of the general jurisdiction governmental unit will be

15 necessary to pay debt service on the bonds if higher income

16 individuals or families are not admitted.

17 Sec. 13. Minnesota Statutes 2004, section 469.158, is

18 amended to read:

19 469.158 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.]

20 Bonds authorized under sections 469.152 to 469.165 must be
21 issued in accordance with the provisions of chapter 475 relating
22 to bonds payable from income of revenue producing conveniences,
23 except that public sale is not required, the provisions of
24 sections 475.62 and 475.63 do not apply, and the bonds may
25 mature at the time or times, in the amount or amounts, within 30
26 years, or in the case of bonds issued to finance dormitories or
27 other types of student housing, 40 years from date of issue, and
28 may be sold at a price equal to the percentage of the par value
29 thereof, plus accrued interest, and bearing interest at the rate
30 or rates agreed by the contracting party, the purchaser, and the
31 municipality or redevelopment agency, notwithstanding any
32 limitation of interest rate or cost or of the amounts of annual
33 maturities contained in any other law. Bonds issued to refund
34 bonds previously issued pursuant to sections 469.152 to 469.165
35 may be issued in amounts determined by the municipality or
36 redevelopment agency notwithstanding the provisions of section

1 475.67, subdivision 3.

2 Sec. 14. Minnesota Statutes 2004, section 473.39, is
3 amended by adding a subdivision to read:

4 Subd. 1k. [OBLIGATIONS.] After July 1, 2005, in addition
5 to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i,
6 and 1j, the council may issue certificates of indebtedness,
7 bonds, or other obligations under this section in an amount not
8 exceeding \$64,000,000 for capital expenditures as prescribed in
9 the council's regional transit master plan and transit capital
10 improvement program and for related costs, including the costs
11 of issuance and sale of the obligations.

12 Sec. 15. Minnesota Statutes 2004, section 474A.061,
13 subdivision 2c, is amended to read:

14 Subd. 2c. [PUBLIC FACILITIES POOL ALLOCATION.] From the
15 beginning of the calendar year and continuing for a period of
16 120 days, the commissioner shall reserve ~~\$3,000,000~~ \$5,000,000
17 of the available bonding authority from the public facilities
18 pool for applications for public facilities projects to be
19 financed by the Western Lake Superior Sanitary District.
20 Commencing on the second Tuesday in January and continuing on
21 each Monday through the last Monday in July, the commissioner
22 shall allocate available bonding authority from the public
23 facilities pool to applications for eligible public facilities
24 projects received on or before the Monday of the preceding
25 week. If there are two or more applications for public
26 facilities projects from the pool and there is insufficient
27 available bonding authority to provide allocations for all
28 projects in any one week, the available bonding authority shall
29 be awarded by lot unless otherwise agreed to by the respective
30 issuers.

31 Sec. 16. Minnesota Statutes 2004, section 474A.131,
32 subdivision 1, is amended to read:

33 Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues
34 bonds with an allocation received under this chapter shall
35 provide a notice of issue to the department on forms provided
36 the department stating:

- 1 (1) the date of issuance of the bonds;
- 2 (2) the title of the issue;
- 3 (3) the principal amount of the bonds;
- 4 (4) the type of qualified bonds under federal tax law;
- 5 (5) the dollar amount of the bonds issued that were subject
- 6 to the annual volume cap; and
- 7 (6) for entitlement issuers, whether the allocation is from
- 8 current year entitlement authority or is from carryforward
- 9 authority.

10 For obligations that are issued as a part of a series of
11 obligations, a notice must be provided for each series. A
12 penalty of one-half of the amount of the application deposit not
13 to exceed \$5,000 shall apply to any issue of obligations for
14 which a notice of issue is not provided to the department within
15 five business days after issuance or before ~~the last Monday~~ 4:30
16 p.m. on the last business day in December, whichever occurs
17 first. Within 30 days after receipt of a notice of issue the
18 department shall refund a portion of the application deposit
19 equal to one percent of the amount of the bonding authority
20 actually issued if a one percent application deposit was made,
21 or equal to two percent of the amount of the bonding authority
22 actually issued if a two percent application deposit was made,
23 less any penalty amount.

24 Sec. 17. Minnesota Statutes 2004, section 475.51,
25 subdivision 4, is amended to read:

26 Subd. 4. [NET DEBT.] "Net debt" means the amount remaining
27 after deducting from its gross debt the amount of current
28 revenues which are applicable within the current fiscal year to
29 the payment of any debt and the aggregate of the principal of
30 the following:

- 31 (1) Obligations issued for improvements which are payable
- 32 wholly or partly from the proceeds of special assessments levied
- 33 upon property specially benefited thereby, including those which
- 34 are general obligations of the municipality issuing them, if the
- 35 municipality is entitled to reimbursement in whole or in part
- 36 from the proceeds of the special assessments.

1 (2) Warrants or orders having no definite or fixed maturity.

2 (3) Obligations payable wholly from the income from revenue
3 producing conveniences.

4 (4) Obligations issued to create or maintain a permanent
5 improvement revolving fund.

6 (5) Obligations issued for the acquisition, and betterment
7 of public waterworks systems, and public lighting, heating or
8 power systems, and of any combination thereof or for any other
9 public convenience from which a revenue is or may be derived.

10 (6) Debt service loans and capital loans made to a school
11 district under the provisions of sections 126C.68 and 126C.69.

12 (7) Amount of all money and the face value of all
13 securities held as a debt service fund for the extinguishment of
14 obligations other than those deductible under this subdivision.

15 (8) Obligations to repay loans made under section 216C.37.

16 (9) Obligations to repay loans made from money received
17 from litigation or settlement of alleged violations of federal
18 petroleum pricing regulations.

19 (10) Obligations issued to pay pension fund liabilities
20 under section 475.52, subdivision 6, or any charter authority.

21 (11) Obligations issued to pay judgments against the
22 municipality under section 475.52, subdivision 6, or any charter
23 authority.

24 (12) All other obligations which under the provisions of
25 law authorizing their issuance are not to be included in
26 computing the net debt of the municipality.

27 Sec. 18. Minnesota Statutes 2004, section 475.52,
28 subdivision 1, is amended to read:

29 Subdivision 1. [STATUTORY CITIES.] Any statutory city may
30 issue bonds or other obligations for the acquisition or
31 betterment of public buildings, means of garbage disposal,
32 hospitals, nursing homes, homes for the aged, schools,
33 libraries, museums, art galleries, parks, playgrounds, stadia,
34 sewers, sewage disposal plants, subways, streets, sidewalks,
35 warning systems; for any utility or other public convenience
36 from which a revenue is or may be derived; for a permanent

1 improvement revolving fund; for changing, controlling or
2 bridging streams and other waterways; for the acquisition and
3 betterment of bridges and roads within two miles of the
4 corporate limits; for the acquisition of development rights in
5 the form of conservation easements under chapter 84C; and for
6 acquisition of equipment for snow removal, street construction
7 and maintenance, or fire fighting. Without limitation by the
8 foregoing the city may issue bonds to provide money for any
9 authorized corporate purpose except current expenses.

10 Sec. 19. Minnesota Statutes 2004, section 475.52,
11 subdivision 3, is amended to read:

12 Subd. 3. [COUNTIES.] Any county may issue bonds for the
13 acquisition or betterment of courthouses, county administrative
14 buildings, health or social service facilities, correctional
15 facilities, law enforcement centers, jails, morgues, libraries,
16 parks, and hospitals, for roads and bridges within the county or
17 bordering thereon and for road equipment and machinery and for
18 ambulances and related equipment; for the acquisition of
19 development rights in the form of conservation easements under
20 chapter 84C, and for capital equipment for the administration
21 and conduct of elections providing the equipment is uniform
22 countywide, except that the power of counties to issue bonds in
23 connection with a library shall not exist in Hennepin County.

24 Sec. 20. Minnesota Statutes 2004, section 475.52,
25 subdivision 4, is amended to read:

26 Subd. 4. [TOWNS.] Any town may issue bonds for the
27 acquisition and betterment of town halls, town roads and
28 bridges, nursing homes and homes for the aged, and for
29 acquisition of equipment for snow removal, road construction or
30 maintenance, and fire fighting; for the acquisition of
31 development rights in the form of conservation easements under
32 chapter 84C; and for the acquisition and betterment of any
33 buildings to house and maintain town equipment.

34 Sec. 21. Minnesota Statutes 2004, section 475.521,
35 subdivision 1, is amended to read:

36 Subdivision 1. [DEFINITIONS.] For purposes of this

1 section, the following terms have the meanings given.

2 (a) "Bonds" mean an obligation defined under section 475.51.

3 (b) "Capital improvement" means acquisition or betterment
4 of public lands, buildings or other improvements for the purpos
5 of a city hall, town hall, library, public safety facility, and
6 public works facility. An improvement must have an expected
7 useful life of five years or more to qualify. Capital
8 improvement does not include light rail transit or any activity
9 related to it, or a park, ~~library,~~ road, bridge, administrative
10 building other than a city or town hall, or land for any of
11 those facilities.

12 (c) "~~city~~" "Municipality" means a home rule charter or
13 statutory city or a town described in section 368.01,
14 subdivision 1 or 1a.

15 Sec. 22. Minnesota Statutes 2004, section 475.521,
16 subdivision 2, is amended to read:

17 Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a
18 ~~city~~ municipality to finance capital improvements under an
19 approved capital improvements plan are not subject to the
20 election requirements of section 475.58. ~~The bonds are subject~~
21 ~~to the net debt limits under section 475.53.~~ The bonds must be
22 approved by an affirmative vote of three-fifths of the members
23 of a five-member ~~city council~~ governing body. In the case of
24 a ~~city council~~ governing body having more or less than five
25 members, the bonds must be approved by a vote of at least
26 ~~two-thirds of the city council~~ members of the governing body.

27 (b) Before the issuance of bonds qualifying under this
28 section, the ~~city~~ municipality must publish a notice of its
29 intention to issue the bonds and the date and time of the
30 hearing to obtain public comment on the matter. The notice must
31 be published in the official newspaper of the ~~city~~ municipality
32 or in a newspaper of general circulation in the ~~city~~
33 municipality. Additionally, the notice may be posted on the
34 official Web site, if any, of the ~~city~~ municipality. The notice
35 must be published at least 14 but not more than 28 days before
36 the date of the hearing.

1 (c) A city municipality may issue the bonds only after
 2 obtaining the approval of a majority of the voters voting on the
 3 question of issuing the obligations, if a petition requesting a
 4 vote on the issuance is signed by voters equal to five percent
 5 of the votes cast in the city municipality in the last general
 6 election and is filed with the city clerk within 30 days after
 7 the public hearing. The commissioner of revenue shall prepare a
 8 suggested form of the question to be presented at the election.

9 Sec. 23. Minnesota Statutes 2004, section 475.521,
 10 subdivision 3, is amended to read:

11 Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A city
 12 municipality may adopt a capital improvement plan. The plan
 13 must cover at least a five-year period beginning with the date
 14 of its adoption. The plan must set forth the estimated
 15 schedule, timing, and details of specific capital improvements
 16 by year, together with the estimated cost, the need for the
 17 improvement, and sources of revenue to pay for the improvement.
 18 In preparing the capital improvement plan, the ~~city-council~~
 19 governing body must consider for each project and for the
 20 overall plan:

- 21 (1) the condition of the ~~city's~~ municipality's existing
- 22 infrastructure, including the projected need for repair or
- 23 replacement;
- 24 (2) the likely demand for the improvement;
- 25 (3) the estimated cost of the improvement;
- 26 (4) the available public resources;
- 27 (5) the level of overlapping debt in the city municipality;
- 28 (6) the relative benefits and costs of alternative uses of
- 29 the funds;
- 30 (7) operating costs of the proposed improvements; and
- 31 (8) alternatives for providing services most efficiently
- 32 through shared facilities with other ~~cities~~ municipalities or
- 33 local government units.

34 (b) The capital improvement plan and annual amendments to
 35 it must be approved by the ~~city-council~~ governing body after
 36 public hearing.

1 Sec. 24. Minnesota Statutes 2004, section 475.521,
2 subdivision 4, is amended to read:

3 Subd. 4. [LIMITATIONS ON AMOUNT.] A ~~city~~ municipality may
4 not issue bonds under this section if the maximum amount of
5 principal and interest to become due in any year on all the
6 outstanding bonds issued under this section, including the bonds
7 to be issued, will equal or exceed ~~0.05367~~ 0.16 percent of the
8 taxable market value of property in the ~~county~~ municipality.
9 Calculation of the limit must be made using the taxable market
10 value for the taxes payable year in which the obligations are
11 issued and sold. In the case of a municipality with a
12 population of 2,500 or more, the bonds are subject to the net
13 debt limits under section 475.53. In the case of a shared
14 facility in which more than one municipality participates, upon
15 compliance by each participating municipality with the
16 requirements of subdivision 2, the limitations in this
17 subdivision and the net debt represented by the bonds shall be
18 allocated to each participating municipality in proportion to
19 its required financial contribution to the financing of the
20 shared facility, as set forth in the joint powers agreement
21 relating to the shared facility. This section does not limit
22 the authority to issue bonds under any other special or general
23 law.

24 Sec. 25. Minnesota Statutes 2004, section 475.58,
25 subdivision 3b, is amended to read:

26 Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may,
27 without regard to the election requirement under subdivision 1,
28 issue and sell obligations for street reconstruction, if the
29 following conditions are met:

30 (1) the streets are reconstructed under a street
31 reconstruction plan that describes the streets to be
32 reconstructed, the estimated costs, and any planned
33 reconstruction of other streets in the municipality over the
34 next five years, and the plan and issuance of the obligations
35 has been approved by a vote of all of the members of the
36 governing body following a public hearing for which notice has

1 been published in the official newspaper at least ten days but
2 not more than 28 days prior to the hearing; and

3 (2) if a petition requesting a vote on the issuance is
4 signed by voters equal to five percent of the votes cast in the
5 last municipal general election and is filed with the municipal
6 clerk within 30 days of the public hearing, the municipality may
7 issue the bonds only after obtaining the approval of a majority
8 of the voters voting on the question of the issuance of the
9 obligations.

10 (b) Obligations issued under this subdivision are subject
11 to the debt limit of the municipality and are not excluded from
12 net debt under section 475.51, subdivision 4.

13 (c) For purposes of this subdivision, street reconstruction
14 includes utility replacement and relocation and other activities
15 incidental to the street reconstruction, ~~but~~ turn lanes and
16 other improvements having a substantial public safety function,
17 realignments, other modifications to intersect with state and
18 county roads, and the local share of state and county road
19 projects.

20 (d) Except in the case of turn lanes, safety improvements,
21 realignments, intersection modifications, and the local share of
22 state and county road projects, street reconstruction does not
23 include the portion of project cost allocable to widening a
24 street or adding curbs and gutters where none previously existed.

25 Sec. 26. [CITY OF ST. PAUL; RIVERCENTRE COMPLEX
26 OPERATION.]

27 Subdivision 1. [DEFINITIONS.] (a) For the purposes of this
28 section, the terms defined in this subdivision have the meanings
29 given them.

30 (b) "City" means the city of St. Paul, its mayor, city
31 council, and any other board, authority, commission, or officer
32 authorized by law, charter, or ordinance to exercise city powers
33 of the nature referred to in this section.

34 (c) "RiverCentre complex" means collectively the
35 auditorium, convention, conference and education center, arena,
36 and parking ramp facilities presently and commonly known as the

1 Roy Wilkins Auditorium, St. Paul RiverCentre, Xcel Energy
2 Center, and RiverCentre Parking Ramp, including all property,
3 real or personal, tangible or intangible, located in the city,
4 intended to be used as part of the RiverCentre complex or
5 additions to or extensions of it.

6 Subd. 2. [CREATION OF NONPROFIT ORGANIZATION.] As required
7 under Minnesota Statutes, section 465.717, and notwithstanding
8 any other law, city charter provision, or ordinance to the
9 contrary, the city of St. Paul may participate in the creation
10 of a nonprofit organization for the purposes provided in this
11 section.

12 Subd. 3. [GOVERNING BOARD.] (a) The mayor of the city,
13 subject to approval by the city council, shall appoint a
14 majority of the members of the governing board of the nonprofit
15 organization performing all or a part of the activities
16 necessary to carry out the purposes specified in this section.
17 The mayor may designate any officer or employee of the city to
18 serve as a member of the governing board of any nonprofit
19 organization.

20 (b) In addition to the appointments made by the mayor under
21 paragraph (a), the mayor shall designate three members of the
22 city council to serve on the governing board of the nonprofit
23 organization.

24 (c) Notwithstanding any provision contained in the articles
25 of incorporation and bylaws of the nonprofit organization, any
26 member of the governing board appointed by the mayor may be
27 removed only by the mayor for cause.

28 (d) The governing board of the nonprofit organization shall
29 select, subject to the approval of the mayor, a president to
30 serve as chief executive officer and general manager of the
31 nonprofit organization.

32 (e) The procedures in Minnesota Statutes, section 317A.255,
33 subdivision 1, paragraph (b), relating to director conflicts of
34 interest, are not required if the contract or other transaction
35 is between the city and the nonprofit organization.

36 Subd. 4. [RIVERCENTRE MANAGEMENT; AUTHORITY TO CONTRACT

1 WITH NONPROFIT ORGANIZATION.] The city may enter into an
2 agreement with the nonprofit organization created in subdivision
3 2 to equip, maintain, manage, and operate all or a portion of
4 the RiverCentre complex and to manage and operate a convention
5 bureau to market and promote the city as a tourist or convention
6 center. Except as otherwise provided in this section, the
7 nonprofit organization may only contract and utilize and expend
8 funds for these purposes under the direction of its governing
9 board, subject to the accounting, financial reporting, and other
10 conditions that the city may prescribe in a contract made under
11 this section between the city and the nonprofit organization.
12 The nonprofit organization may use the services of the office of
13 the city attorney and the city's purchasing department. All
14 activities performed to carry out these purposes are deemed to
15 be for a public purpose.

16 Subd. 5. [BONDHOLDERS' RIGHTS AND RIVERCENTRE COMPLEX TAX
17 EXEMPTIONS PRESERVED.] (a) The city must protect the rights of
18 holders of bonds issued for the RiverCentre complex, including
19 preserving the tax-exempt status of the bonds.

20 (b) The use and operation of the RiverCentre complex by the
21 nonprofit organization with which the city contracts under this
22 act is a use, lease, or occupancy for public, governmental, and
23 municipal purposes, and the complex is exempt from taxation by
24 the state or any political subdivision of the state during such
25 use, to the extent it would be exempt if the complex was
26 equipped, maintained, managed, and operated by the city.

27 (c) Gross receipts of tickets and admissions to events at
28 the RiverCentre complex sponsored by the nonprofit organization
29 created in this section do not qualify for the sales tax
30 exemption under Minnesota Statutes, section 297A.70, subdivision
31 10.

32 Subd. 6. [APPLICABLE GENERAL LAWS.] The following statutes
33 apply to the nonprofit organization with which the city
34 contracts under this section the same as they apply to the city,
35 to the extent practicable:

36 (1) Minnesota Statutes, chapter 13D, the Minnesota Open

1 Meeting Law; and

2 (2) Minnesota Statutes, chapter 13, the Government Data
3 Practices Act.

4 Subd. 7. [SUCCESSION.] The nonprofit organization with
5 which the city contracts under this section is the successor to
6 all powers, rights, assets, privileges, and interests held and
7 enjoyed by the RiverCentre authority on the effective date of
8 this section, and established by the provisions of Laws 1967,
9 chapter 459, sections 1, 2, 4, and 8, subdivisions 2 and 3,
10 clause (3), as amended; Laws 1982, chapter 523, article 25,
11 sections 4 and 5, as amended; Laws 1998, chapter 404, sections
12 81 and 82; and Minnesota Statutes, section 297A.98. On the
13 effective date of the contract between the city and the
14 nonprofit organization authorized by this section, the
15 RiverCentre authority ceases to exist for only so long as the
16 contract is in effect, and all other laws or provisions
17 specifically relating to the RiverCentre authority and the
18 RiverCentre complex that are not otherwise referenced in this
19 section, do not apply to the nonprofit organization.

20 Subd. 8. [LIABILITY.] The nonprofit organization with
21 which the city contracts under this section is a "municipality,"
22 and the officers, directors, employees, and agents of the
23 nonprofit organization are "employees, officers, or agents,"
24 under Minnesota Statutes, chapter 466, relating to tort
25 liability. The city must defend, save harmless, and indemnify
26 the nonprofit organization, including the nonprofit's officers,
27 directors, employees, and agents, against any claim or demand
28 arising out of the nonprofit organization's performance under
29 the contract.

30 [EFFECTIVE DATE.] This section is effective the day after
31 the city council and the chief clerical officer of the city of
32 St. Paul have timely completed their compliance with Minnesota
33 Statutes, section 645.023, subdivisions 2 and 3.

34 Sec. 27. [TRANSFER OF MHFA BONDING AUTHORITY TO HESO.]

35 Notwithstanding Minnesota Statutes, section 474A.03,
36 subdivision 2a, clause (b), the Minnesota Housing Finance Agency

1 may enter into an agreement with the Higher Education Services
2 Office under which the Higher Education Services Office issues
3 qualified student loan bonds, up to \$50,000,000 of which are
4 issued pursuant to bonding authority allocated to the Minnesota
5 Housing Finance Agency in 2004 under Minnesota Statutes, section
6 474A.03, subdivision 2a, clause (a).. This amount is in addition
7 to the bonding authority otherwise allocated to the Higher
8 Education Services Office under Minnesota Statutes, chapter
9 474A. Notwithstanding Minnesota Statutes, section 474A.04,
10 subdivision 1a, 474A.061, or 474A.091, subdivision 2, bonding
11 authority carried forward by the Minnesota Housing Financing
12 Agency from its allocation for 2004 under Minnesota Statutes,
13 section 474A.03, subdivision 2a, clause (b), are exempt from the
14 requirement that the bonding authority be permanently issued by
15 December 31 of the next succeeding calendar year.

16 Sec. 28. [APPLICATION.]

17 Section 14 applies in the counties of Anoka, Carver,
18 Dakota, Hennepin, Ramsey, Scott, and Washington.

19 Sec. 29. [REPEALER.]

20 Minnesota Statutes 2004, section 473.39, subdivision 1f, is
21 repealed.

22 Sec. 30. [EFFECTIVE DATE.]

23 This act is effective the day following final enactment.

ARTICLE ..

DEPARTMENT OF REVENUE

INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2004, section 289A.08, subdivision 3, is amended to read:

Subd. 3. [CORPORATIONS.] A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The commissioner shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner. If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation may include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 2. Minnesota Statutes 2004, section 289A.08, subdivision 7, is amended to read:

1 Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT
2 PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner
3 may allow a partnership with nonresident partners to file a
4 composite return and to pay the tax on behalf of nonresident
5 partners who have no other Minnesota source income. This
6 composite return must include the names, addresses, Social
7 Security numbers, income allocation, and tax liability for the
8 nonresident partners electing to be covered by the composite
9 return.

10 (b) The computation of a partner's tax liability must be
11 determined by multiplying the income allocated to that partner
12 by the highest rate used to determine the tax liability for
13 individuals under section 290.06, subdivision 2c. Nonbusiness
14 deductions, standard deductions, or personal exemptions are not
15 allowed.

16 (c) The partnership must submit a request to use this
17 composite return filing method for nonresident partners. The
18 requesting partnership must file a composite return in the form
19 prescribed by the commissioner of revenue. The filing of a
20 composite return is considered a request to use the composite
21 return filing method.

22 (d) The electing partner must not have any Minnesota source
23 income other than the income from the partnership and other
24 electing partnerships. If it is determined that the electing
25 partner has other Minnesota source income, the inclusion of the
26 income and tax liability for that partner under this provision
27 will not constitute a return to satisfy the requirements of
28 subdivision 1. The tax paid for the individual as part of the
29 composite return is allowed as a payment of the tax by the
30 individual on the date on which the composite return payment was
31 made. If the electing nonresident partner has no other
32 Minnesota source income, filing of the composite return is a
33 return for purposes of subdivision 1.

34 (e) This subdivision does not negate the requirement that
35 an individual pay estimated tax if the individual's liability
36 would exceed the requirements set forth in section 289A.25. A

1 composite estimate may, however, be filed in a manner similar to
2 and containing the information required under paragraph (a).

3 (f) If an electing partner's share of the partnership's
4 gross income from Minnesota sources is less than the filing
5 requirements for a nonresident under this subdivision, the tax
6 liability is zero. However, a statement showing the partner's
7 share of gross income must be included as part of the composite
8 return.

9 (g) The election provided in this subdivision is ~~not~~ only
10 available to any a partner other-than who has no other Minnesota
11 source income and who is either (1) a full-year nonresident
12 individual who-has-no-other-Minnesota-source-income or (2) a
13 trust or estate that does not claim a deduction under either
14 section 651 or 661 of the Internal Revenue Code.

15 (h) A corporation defined in section 290.9725 and its
16 nonresident shareholders may make an election under this
17 paragraph. The provisions covering the partnership apply to the
18 corporation and the provisions applying to the partner apply to
19 the shareholder.

20 (i) Estates and trusts distributing current income only and
21 the nonresident individual beneficiaries of the estates or
22 trusts may make an election under this paragraph. The
23 provisions covering the partnership apply to the estate or
24 trust. The provisions applying to the partner apply to the
25 beneficiary.

26 (j) For the purposes of this subdivision, "income" means
27 the partner's share of federal adjusted gross income from the
28 partnership modified by the additions provided in section
29 290.01, subdivision 19a, clauses (6) and (7), and the
30 subtractions provided in section 290.01, subdivision 19b, clause
31 (11), to the extent the amount is assignable or allocable to
32 Minnesota under section 290.17. The subtraction allowed under
33 section 290.01, subdivision 19b, clause (11), is only allowed on
34 the composite tax computation to the extent the electing partner
35 would have been allowed the subtraction.

36 [EFFECTIVE DATE.] This section is effective for tax years

1 beginning after December 31, 2004.

2 Sec. 3. Minnesota Statutes 2004, section 289A.18,
3 subdivision 1, is amended to read:

4 Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME,
5 CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S
6 CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY
7 RETURNS.] The returns required to be made under sections 289A.08
8 and 289A.12 must be filed at the following times:

9 (1) returns made on the basis of the calendar year must be
10 filed on April 15 following the close of the calendar year,
11 except that returns of corporations must be filed on March 15
12 following the close of the calendar year;

13 (2) returns made on the basis of the fiscal year must be
14 filed on the 15th day of the fourth month following the close of
15 the fiscal year, except that returns of corporations must be
16 filed on the 15th day of the third month following the close of
17 the fiscal year;

18 (3) returns for a fractional part of a year must be filed
19 on the 15th day of the fourth month following the end of the
20 month in which falls the last day of the period for which the
21 return is made, except that the returns of corporations must be
22 filed on the 15th day of the third month following the end of
23 the month tax year of the unitary group in which falls the last
24 day of the period for which the return is made;

25 (4) in the case of a final return of a decedent for a
26 fractional part of a year, the return must be filed on the 15th
27 day of the fourth month following the close of the 12-month
28 period that began with the first day of that fractional part of
29 a year;

30 (5) in the case of the return of a cooperative association,
31 returns must be filed on or before the 15th day of the ninth
32 month following the close of the taxable year;

33 (6) if a corporation has been divested from a unitary group
34 and files a return for a fractional part of a year in which it
35 was a member of a unitary business that files a combined report
36 under section 290.34, subdivision 2, the divested corporation's

1 return must be filed on the 15th day of the third month
2 following the close of the common accounting period that
3 includes the fractional year;

4 (7) returns of entertainment entities must be filed on
5 April 15 following the close of the calendar year;

6 (8) returns required to be filed under section 289A.08,
7 subdivision 4, must be filed on the 15th day of the fifth month
8 following the close of the taxable year;

9 (9) returns of mining companies must be filed on May 1
10 following the close of the calendar year; and

11 (10) returns required to be filed with the commissioner
12 under section 289A.12, subdivision 2, 4 to 10, or 14, must be
13 filed within 30 days after being demanded by the commissioner.

14 [EFFECTIVE DATE.] This section is effective for fractional
15 years closing after December 31, 2004.

16 Sec. 4. Minnesota Statutes 2004, section 289A.38,
17 subdivision 7, is amended to read:

18 Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income,
19 items of tax preference, deductions, or credits for any year of
20 a taxpayer as reported to the Internal Revenue Service is
21 changed or corrected by the commissioner of Internal Revenue or
22 other officer of the United States or other competent authority,
23 or where a renegotiation of a contract or subcontract with the
24 United States results in a change in income, items of tax
25 preference, deductions, credits, or withholding tax, or, in the
26 case of estate tax, where there are adjustments to the taxable
27 estate resulting in a change to the credit for state death
28 taxes, the taxpayer shall report the change or correction or
29 renegotiation results in writing to the commissioner. The
30 report must be submitted within 180 days after the final
31 determination and must be in the form of either an amended
32 Minnesota estate, withholding tax, corporate franchise tax, or
33 income tax return conceding the accuracy of the federal
34 determination or a letter detailing how the federal
35 determination is incorrect or does not change the Minnesota
36 tax. An amended Minnesota income tax return must be accompanied

1 by an amended property tax refund return, if necessary. A
2 taxpayer filing an amended federal tax return must also file a
3 copy of the amended return with the commissioner of revenue
4 within 180 days after filing the amended return.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 5. Minnesota Statutes 2004, section 289A.50,
8 subdivision 1a, is amended to read:

9 Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the
10 commissioner of revenue shall prepare and make available to
11 taxpayers a form for filing claims for refund of taxes paid in
12 excess of the amount due. ~~If the commissioner fails to prepare~~
13 ~~a form under this subdivision by January 17, 2000, any claims for~~
14 ~~refund made after January 17, 2000, and up to ten days after the~~
15 ~~form is made available to taxpayers are deemed to be made in~~
16 ~~compliance with the requirement of the form.~~ The commissioner
17 may request corporate franchise taxpayers claiming a refund of
18 corporate franchise taxes paid in excess of the amount lawfully
19 due to include on the claim for refund or amended return
20 information necessary for payment of the taxes paid in excess of
21 taxes lawfully due by electronic means.

22 [EFFECTIVE DATE.] This section is effective for claims for
23 refund filed after December 31, 2005.

24 Sec. 6. Minnesota Statutes 2004, section 290.01,
25 subdivision 19a, is amended to read:

26 Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For
27 individuals, estates, and trusts, there shall be added to
28 federal taxable income:

29 (1)(i) interest income on obligations of any state other
30 than Minnesota or a political or governmental subdivision,
31 municipality, or governmental agency or instrumentality of any
32 state other than Minnesota exempt from federal income taxes
33 under the Internal Revenue Code or any other federal statute;
34 and

35 (ii) exempt-interest dividends as defined in section
36 852(b)(5) of the Internal Revenue Code, except the portion of

1 the exempt-interest dividends derived from interest income on
2 obligations of the state of Minnesota or its political or
3 governmental subdivisions, municipalities, governmental agencies
4 or instrumentalities, but only if the portion of the
5 exempt-interest dividends from such Minnesota sources paid to
6 all shareholders represents 95 percent or more of the
7 exempt-interest dividends that are paid by the regulated
8 investment company as defined in section 851(a) of the Internal
9 Revenue Code, or the fund of the regulated investment company as
10 defined in section 851(g) of the Internal Revenue Code, making
11 the payment; and

12 (iii) for the purposes of items (i) and (ii), interest on
13 obligations of an Indian tribal government described in section
14 7871(c) of the Internal Revenue Code shall be treated as
15 interest income on obligations of the state in which the tribe
16 is located;

17 (2) the amount of income taxes paid or accrued within the
18 taxable year under this chapter and ~~income~~ the amount of taxes
19 based on net income paid to any other state or to any province
20 or territory of Canada, to the extent allowed as a deduction
21 under section 63(d) of the Internal Revenue Code, but the
22 addition may not be more than the amount by which the itemized
23 deductions as allowed under section 63(d) of the Internal
24 Revenue Code exceeds the amount of the standard deduction as
25 defined in section 63(c) of the Internal Revenue Code. For the
26 purpose of this paragraph, the disallowance of itemized
27 deductions under section 68 of the Internal Revenue Code of
28 1986, income tax is the last itemized deduction disallowed;

29 (3) the capital gain amount of a lump sum distribution to
30 which the special tax under section 1122(h)(3)(B)(ii) of the Tax
31 Reform Act of 1986, Public Law 99-514, applies;

32 (4) the amount of income taxes paid or accrued within the
33 taxable year under this chapter and ~~income~~ taxes based on net
34 income paid to any other state or any province or territory of
35 Canada, to the extent allowed as a deduction in determining
36 federal adjusted gross income. For the purpose of this

1 paragraph, income taxes do not include the taxes imposed by
2 sections 290.0922, subdivision 1, paragraph (b), 290.9727,
3 290.9728, and 290.9729;

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

8 (6) the amount of a partner's pro rata share of net income
9 which does not flow through to the partner because the
10 partnership elected to pay the tax on the income under section
11 6242(a)(2) of the Internal Revenue Code; and

12 (7) 80 percent of the depreciation deduction allowed under
13 section 168(k) of the Internal Revenue Code. For purposes of
14 this clause, if the taxpayer has an activity that in the taxable
15 year generates a deduction for depreciation under section 168(k)
16 and the activity generates a loss for the taxable year that the
17 taxpayer is not allowed to claim for the taxable year, "the
18 depreciation allowed under section 168(k)" for the taxable year
19 is limited to excess of the depreciation claimed by the activity
20 under section 168(k) over the amount of the loss from the
21 activity that is not allowed in the taxable year. In succeeding
22 taxable years when the losses not allowed in the taxable year
23 are allowed, the depreciation under section 168(k) is allowed.

24 **[EFFECTIVE DATE.]** This section is effective for tax years
25 beginning after December 31, 2004.

26 Sec. 7. Minnesota Statutes 2004, section 290.01,
27 subdivision 19b, is amended to read:

28 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
29 individuals, estates, and trusts, there shall be subtracted from
30 federal taxable income:

31 (1) net interest income on obligations of any authority,
32 commission, or instrumentality of the United States to the
33 extent includable in taxable income for federal income tax
34 purposes but exempt from state income tax under the laws of the
35 United States;

36 (2) if included in federal taxable income, the amount of

1 any overpayment of income tax to Minnesota or to any other
2 state, for any previous taxable year, whether the amount is
3 received as a refund or as a credit to another taxable year's
4 income tax liability;

5 (3) the amount paid to others, less the amount used to
6 claim the credit allowed under section 290.0674, not to exceed
7 \$1,625 for each qualifying child in grades kindergarten to 6 and
8 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
9 textbooks, and transportation of each qualifying child in
10 attending an elementary or secondary school situated in
11 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
12 wherein a resident of this state may legally fulfill the state's
13 compulsory attendance laws, which is not operated for profit,
14 and which adheres to the provisions of the Civil Rights Act of
15 1964 and chapter 363A. For the purposes of this clause,
16 "tuition" includes fees or tuition as defined in section
17 290.0674, subdivision 1, clause (1). As used in this clause,
18 "textbooks" includes books and other instructional materials and
19 equipment purchased or leased for use in elementary and
20 secondary schools in teaching only those subjects legally and
21 commonly taught in public elementary and secondary schools in
22 this state. Equipment expenses qualifying for deduction
23 includes expenses as defined and limited in section 290.0674,
24 subdivision 1, clause (3). "Textbooks" does not include
25 instructional books and materials used in the teaching of
26 religious tenets, doctrines, or worship, the purpose of which is
27 to instill such tenets, doctrines, or worship, nor does it
28 include books or materials for, or transportation to,
29 extracurricular activities including sporting events, musical or
30 dramatic events, speech activities, driver's education, or
31 similar programs. For purposes of the subtraction provided by
32 this clause, "qualifying child" has the meaning given in section
33 32(c)(3) of the Internal Revenue Code;

34 (4) income as provided under section 290.0802;

35 (5) to the extent included in federal adjusted gross
36 income, income realized on disposition of property exempt from

1 tax under section 290.491;

2 ~~(6) to the extent included in federal taxable income,~~
3 ~~postservice benefits for youth community service under section~~
4 ~~124B.42 for volunteer service under United States Code, title~~
5 ~~42, sections 12601 to 12604;~~

6 {7} to the extent not deducted in determining federal
7 taxable income by an individual who does not itemize deductions
8 for federal income tax purposes for the taxable year, an amount
9 equal to 50 percent of the excess of charitable contributions
10 allowable as a deduction for the taxable year under section
11 170(a) of the Internal Revenue Code over \$500;

12 {8} (7) for taxable years beginning before January 1, 2008,
13 the amount of the federal small ethanol producer credit allowed
14 under section 40(a)(3) of the Internal Revenue Code which is
15 included in gross income under section 87 of the Internal
16 Revenue Code;

17 {9} (8) for individuals who are allowed a federal foreign
18 tax credit for taxes that do not qualify for a credit under
19 section 290.06, subdivision 22, an amount equal to the carryover
20 of subnational foreign taxes for the taxable year, but not to
21 exceed the total subnational foreign taxes reported in claiming
22 the foreign tax credit. For purposes of this clause, "federal
23 foreign tax credit" means the credit allowed under section 27 of
24 the Internal Revenue Code, and "carryover of subnational foreign
25 taxes" equals the carryover allowed under section 904(c) of the
26 Internal Revenue Code minus national level foreign taxes to the
27 extent they exceed the federal foreign tax credit;

28 {10} (9) in each of the five tax years immediately
29 following the tax year in which an addition is required under
30 subdivision 19a, clause (7), or 19c, clause (16), in the case of
31 a shareholder of a corporation that is an S corporation, an
32 amount equal to one-fifth of the delayed depreciation. For
33 purposes of this clause, "delayed depreciation" means the amount
34 of the addition made by the taxpayer under subdivision 19a,
35 clause (7), or subdivision 19c, clause (16), in the case of a
36 shareholder of an S corporation, minus the positive value of any

1 net operating loss under section 172 of the Internal Revenue
2 Code generated for the tax year of the addition. The resulting
3 delayed depreciation cannot be less than zero; and

4 ~~{11}~~ (10) job opportunity building zone income as provided
5 under section 469.316.

6 [EFFECTIVE DATE.] The amendment to clause (9) is effective
7 retroactively for tax years beginning after December 31, 2001.

8 The rest of this section is effective for the tax years
9 beginning after December 31, 2004.

10 Sec. 8. Minnesota Statutes 2004, section 290.01,
11 subdivision 19c, is amended to read:

12 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE
13 INCOME.] For corporations, there shall be added to federal
14 taxable income:

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

22 (2) interest not subject to federal tax upon obligations
23 of: the United States, its possessions, its agencies, or its
24 instrumentalities; the state of Minnesota or any other state,
25 any of its political or governmental subdivisions, any of its
26 municipalities, or any of its governmental agencies or
27 instrumentalities; the District of Columbia; or Indian tribal
28 governments;

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

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

35 (5) the amount of any special deductions taken for federal
36 income tax purposes under sections 241 to 247 of the Internal

1 Revenue Code;

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

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

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

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

13 (10) for certified pollution control facilities placed in
14 service in a taxable year beginning before December 31, 1986,
15 and for which amortization deductions were elected under section
16 169 of the Internal Revenue Code of 1954, as amended through
17 December 31, 1985, the amount of the amortization deduction
18 allowed in computing federal taxable income for those
19 facilities;

20 (11) the amount of any deemed dividend from a foreign
21 operating corporation determined pursuant to section 290.17,
22 subdivision 4, paragraph (g);

23 ~~(12) the amount of any environmental tax paid under section~~
24 ~~59(a) of the Internal Revenue Code;~~

25 ~~(13)~~ the amount of a partner's pro rata share of net income
26 which does not flow through to the partner because the
27 partnership elected to pay the tax on the income under section
28 6242(a)(2) of the Internal Revenue Code;

29 ~~(14)~~ (13) the amount of net income excluded under section
30 114 of the Internal Revenue Code;

31 ~~(15)~~ (14) any increase in subpart F income, as defined in
32 section 952(a) of the Internal Revenue Code, for the taxable
33 year when subpart F income is calculated without regard to the
34 provisions of section 614 of Public Law 107-147; and

35 ~~(16)~~ (15) 80 percent of the depreciation deduction allowed
36 under section 168(k) (1)(A) and (k)(4)(A) of the Internal Revenue

1 Code. For purposes of this clause, if the taxpayer has an
2 activity that in the taxable year generates a deduction for
3 depreciation under section 168(k) (1) (A) and (k) (4) (A) and the
4 activity generates a loss for the taxable year that the taxpayer
5 is not allowed to claim for the taxable year, "the depreciation
6 allowed under section 168(k) (1) (A) and (k) (4) (A)" for the
7 taxable year is limited to excess of the depreciation claimed by
8 the activity under section 168(k) (1) (A) and (k) (4) (A) over the
9 amount of the loss from the activity that is not allowed in the
10 taxable year. In succeeding taxable years when the losses not
11 allowed in the taxable year are allowed, the depreciation under
12 section 168(k) (1) (A) and (k) (4) (A) is allowed.

13 [EFFECTIVE DATE.] This section is effective the day
14 following final enactment.

15 Sec. 9. Minnesota Statutes 2004, section 290.06,
16 subdivision 22, is amended to read:

17 Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A
18 taxpayer who is liable for taxes based on ~~or-measured-by~~ net
19 income to another state, as provided in paragraphs (b) through
20 (f), upon income allocated or apportioned to Minnesota, is
21 entitled to a credit for the tax paid to another state if the
22 tax is actually paid in the taxable year or a subsequent taxable
23 year. A taxpayer who is a resident of this state pursuant to
24 section 290.01, subdivision 7, ~~clause-(2)~~ paragraph (b), and who
25 is subject to income tax as a resident in the state of the
26 individual's domicile is not allowed this credit unless the
27 state of domicile does not allow a similar credit.

28 (b) For an individual, estate, or trust, the credit is
29 determined by multiplying the tax payable under this chapter by
30 the ratio derived by dividing the income subject to tax in the
31 other state that is also subject to tax in Minnesota while a
32 resident of Minnesota by the taxpayer's federal adjusted gross
33 income, as defined in section 62 of the Internal Revenue Code,
34 modified by the addition required by section 290.01, subdivision
35 19a, clause (1), and the subtraction allowed by section 290.01,
36 subdivision 19b, clause (1), to the extent the income is

1 allocated or assigned to Minnesota under sections 290.081 and
2 290.17.

3 (c) If the taxpayer is an athletic team that apportions all
4 of its income under section 290.17, subdivision 5, the credit is
5 determined by multiplying the tax payable under this chapter by
6 the ratio derived from dividing the total net income subject to
7 tax in the other state by the taxpayer's Minnesota taxable
8 income.

9 (d) The credit determined under paragraph (b) or (c) shall
10 not exceed the amount of tax so paid to the other state on the
11 gross income earned within the other state subject to tax under
12 this chapter, nor shall the allowance of the credit reduce the
13 taxes paid under this chapter to an amount less than what would
14 be assessed if such income amount was excluded from taxable net
15 income.

16 (e) In the case of the tax assessed on a lump sum
17 distribution under section 290.032, the credit allowed under
18 paragraph (a) is the tax assessed by the other state on the lump
19 sum distribution that is also subject to tax under section
20 290.032, and shall not exceed the tax assessed under section
21 290.032. To the extent the total lump sum distribution defined
22 in section 290.032, subdivision 1, includes lump sum
23 distributions received in prior years or is all or in part an
24 annuity contract, the reduction to the tax on the lump sum
25 distribution allowed under section 290.032, subdivision 2,
26 includes tax paid to another state that is properly apportioned
27 to that distribution.

28 (f) If a Minnesota resident reported an item of income to
29 Minnesota and is assessed tax in such other state on that same
30 income after the Minnesota statute of limitations has expired,
31 the taxpayer shall receive a credit for that year under
32 paragraph (a), notwithstanding any statute of limitations to the
33 contrary. The claim for the credit must be submitted within one
34 year from the date the taxes were paid to the other state. The
35 taxpayer must submit sufficient proof to show entitlement to a
36 credit.

1 (g) For the purposes of this subdivision, a resident
2 shareholder of a corporation treated as an "S" corporation under
3 section 290.9725, must be considered to have paid a tax imposed
4 on the shareholder in an amount equal to the shareholder's pro
5 rata share of any net income tax paid by the S corporation to
6 another state. For the purposes of the preceding sentence, the
7 term "net income tax" means any tax imposed on or measured by a
8 corporation's net income.

9 (h) For the purposes of this subdivision, a resident
10 partner of an entity taxed as a partnership under the Internal
11 Revenue Code must be considered to have paid a tax imposed on
12 the partner in an amount equal to the partner's pro rata share
13 of any net income tax paid by the partnership to another state.
14 For purposes of the preceding sentence, the term "net income"
15 tax means any tax imposed on or measured by a partnership's net
16 income.

17 (i) For the purposes of this subdivision, "another state":

18 (1) includes:

19 (i) the District of Columbia; and

20 (ii) a province or territory of Canada; but

21 (2) excludes Puerto Rico and the several territories
22 organized by Congress.

23 (j) The limitations on the credit in paragraphs (b), (c),
24 and (d), are imposed on a state by state basis.

25 (k) For a tax imposed by a province or territory of Canada,
26 the tax for purposes of this subdivision is the excess of the
27 tax over the amount of the foreign tax credit allowed under
28 section 27 of the Internal Revenue Code. In determining the
29 amount of the foreign tax credit allowed, the net income taxes
30 imposed by Canada on the income are deducted first. Any
31 remaining amount of the allowable foreign tax credit reduces the
32 provincial or territorial tax that qualifies for the credit
33 under this subdivision.

34 **[EFFECTIVE DATE.]** This section is effective for tax years
35 beginning after December 31, 2004.

36 Sec. 10. Minnesota Statutes 2004, section 290.0674,

1 subdivision 1, is amended to read:

2 Subdivision 1. [CREDIT ALLOWED.] An individual is allowed
3 a credit against the tax imposed by this chapter in an amount
4 equal to 75 percent of the amount paid for education-related
5 expenses for a qualifying child in kindergarten through grade
6 12. For purposes of this section, "education-related expenses"
7 means:

8 (1) fees or tuition for instruction by an instructor under
9 section 120A.22, subdivision 10, clause (1), (2), (3), (4), or
10 (5), or a member of the Minnesota Music Teachers Association,
11 and who is not a lineal ancestor or sibling of the dependent for
12 instruction outside the regular school day or school year,
13 including tutoring, driver's education offered as part of school
14 curriculum, regardless of whether it is taken from a public or
15 private entity or summer camps, in grade or age appropriate
16 curricula that supplement curricula and instruction available
17 during the regular school year, that assists a dependent to
18 improve knowledge of core curriculum areas or to expand
19 knowledge and skills under the ~~graduation-rule-under-section~~
20 ~~120B.027, paragraph-(e), clauses-(1)-to-(7),-(9),-and-(10)~~
21 required academic standards under section 120B.021, subdivision
22 1, and the elective standard under section 120B.022, subdivision
23 1, clause (2), and that do not include the teaching of religious
24 tenets, doctrines, or worship, the purpose of which is to
25 instill such tenets, doctrines, or worship;

26 (2) expenses for textbooks, including books and other
27 instructional materials and equipment purchased or leased for
28 use in elementary and secondary schools in teaching only those
29 subjects legally and commonly taught in public elementary and
30 secondary schools in this state. "Textbooks" does not include
31 instructional books and materials used in the teaching of
32 religious tenets, doctrines, or worship, the purpose of which is
33 to instill such tenets, doctrines, or worship, nor does it
34 include books or materials for extracurricular activities
35 including sporting events, musical or dramatic events, speech
36 activities, driver's education, or similar programs;

1 (3) a maximum expense of \$200 per family for personal
2 computer hardware, excluding single purpose processors, and
3 educational software that assists a dependent to improve
4 knowledge of core curriculum areas or to expand knowledge and
5 skills under the ~~graduation-rule-under-section-120B-02~~ required
6 academic standards under section 120B.021, subdivision 1, and
7 the elective standard under section 120B.022, subdivision 1,
8 clause (2), purchased for use in the taxpayer's home and not
9 used in a trade or business regardless of whether the computer
10 is required by the dependent's school; and

11 (4) the amount paid to others for transportation of a
12 qualifying child attending an elementary or secondary school
13 situated in Minnesota, North Dakota, South Dakota, Iowa, or
14 Wisconsin, wherein a resident of this state may legally fulfill
15 the state's compulsory attendance laws, which is not operated
16 for profit, and which adheres to the provisions of the Civil
17 Rights Act of 1964 and chapter 363A.

18 For purposes of this section, "qualifying child" has the
19 meaning given in section 32(c)(3) of the Internal Revenue Code.

20 **[EFFECTIVE DATE.]** This section is effective for tax years
21 beginning after December 31, 2004.

22 Sec. 11. Minnesota Statutes 2004, section 290.0922,
23 subdivision 2, is amended to read:

24 Subd. 2. **[EXEMPTIONS.]** The following entities are exempt
25 from the tax imposed by this section:

26 (1) corporations exempt from tax under section 290.05;

27 (2) real estate investment trusts;

28 (3) regulated investment companies or a fund thereof; and

29 (4) entities having a valid election in effect under

30 section 860D(b) of the Internal Revenue Code;

31 (5) town and farmers' mutual insurance companies;

32 (6) cooperatives organized under chapter 308A or 308B that

33 provide housing exclusively to persons age 55 and over and are

34 classified as homesteads under section 273.124, subdivision 3;

35 and

36 (7) an entity, if for the taxable year all of its property

1 is located in a job opportunity building zone designated under
2 section 469.314 and all of its payroll is a job opportunity
3 building zone payroll under section 469.310.

4 Entities not specifically exempted by this subdivision are
5 subject to tax under this section, notwithstanding section
6 290.05.

7 [EFFECTIVE DATE.] This section is effective for tax years
8 beginning after December 31, 2004.

9 Sec. 12. Minnesota Statutes 2004, section 291.005,
10 subdivision 1, is amended to read:

11 Subdivision 1. [SCOPE.] Unless the context otherwise
12 clearly requires, the following terms used in this chapter shall
13 have the following meanings:

14 (1) "Federal gross estate" means the gross estate of a
15 decedent as valued and otherwise determined for federal estate
16 tax purposes by federal taxing authorities pursuant to the
17 provisions of the Internal Revenue Code.

18 (2) "Minnesota gross estate" means the federal gross estate
19 of a decedent after (a) excluding therefrom any property
20 included therein which has its situs outside Minnesota, and (b)
21 including therein any property omitted from the federal gross
22 estate which is includable therein, has its situs in Minnesota,
23 and was not disclosed to federal taxing authorities.

24 (3) "Personal representative" means the executor,
25 administrator or other person appointed by the court to
26 administer and dispose of the property of the decedent. If
27 there is no executor, administrator or other person appointed,
28 qualified, and acting within this state, then any person in
29 actual or constructive possession of any property having a situs
30 in this state which is included in the federal gross estate of
31 the decedent shall be deemed to be a personal representative to
32 the extent of the property and the Minnesota estate tax due with
33 respect to the property.

34 (4) "Resident decedent" means an individual whose domicile
35 at the time of death was in Minnesota.

36 (5) "Nonresident decedent" means an individual whose

1 domicile at the time of death was not in Minnesota.

2 (6) "Situs of property" means, with respect to real
3 property, the state or country in which it is located; with
4 respect to tangible personal property, the state or country in
5 which it was normally kept or located at the time of the
6 decedent's death; and with respect to intangible personal
7 property, the state or country in which the decedent was
8 domiciled at death.

9 (7) "Commissioner" means the commissioner of revenue or any
10 person to whom the commissioner has delegated functions under
11 this chapter.

12 (8) "Internal Revenue Code" means the United States
13 Internal Revenue Code of 1986, as amended through December 31,
14 ~~2002~~ 2004.

15 (9) "Minnesota adjusted taxable estate" means federal
16 adjusted taxable estate as defined by section 2011(b)(3) of the
17 Internal Revenue Code, increased by the amount of deduction for
18 state death taxes allowed under section 2058 of the Internal
19 Revenue Code.

20 [EFFECTIVE DATE.] This section is effective for estates of
21 decedents dying after December 31, 2004.

22 Sec. 13. Minnesota Statutes 2004, section 291.03,
23 subdivision 1, is amended to read:

24 Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an
25 amount equal to the proportion of the maximum credit for state
26 death taxes computed under section 2011 of the Internal Revenue
27 Code, as amended through December 31, 2000, ~~for-state-death~~
28 ~~taxes but using Minnesota adjusted taxable estate instead of~~
29 federal adjusted taxable estate, as the Minnesota gross estate
30 bears to the value of the federal gross estate. The tax
31 determined under this paragraph shall not be greater than the
32 ~~federal-estate-tax~~ amount computed by applying the rates and
33 brackets under section 2001(c) of the Internal Revenue Code
34 ~~after-the-allowance-of~~ to the Minnesota adjusted gross estate
35 and subtracting the federal credits credit allowed under section
36 2010 of the Internal Revenue Code of 1986, as amended through

1 December 31, 2000. For the purposes of this section, expenses
2 which are deducted for federal income tax purposes under section
3 642(g) of the Internal Revenue Code as amended through December
4 31, 2002, are not allowable in computing the tax under this
5 chapter.

6 [EFFECTIVE DATE.] This section is effective for estates of
7 decedents dying after December 31, 2004.

8 Sec. 14. [REPEALER.]

9 Minnesota Rules, parts 8093.2000 and 8093.3000, are
10 repealed effective the day following final enactment.

11 ARTICLE ..

12 DEPARTMENT OF REVENUE

13 PROPERTY TAXES

14 Section 1. Minnesota Statutes 2004, section 4A.02, is
15 amended to read:

16 4A.02 [STATE DEMOGRAPHER.]

17 (a) The director shall appoint a state demographer. The
18 demographer must be professionally competent in demography and
19 must possess demonstrated ability based upon past performance.

20 (b) The demographer shall:

21 (1) continuously gather and develop demographic data
22 relevant to the state;

23 (2) design and test methods of research and data
24 collection;

25 (3) periodically prepare population projections for the
26 state and designated regions and periodically prepare
27 projections for each county or other political subdivision of
28 the state as necessary to carry out the purposes of this
29 section;

30 (4) review, comment on, and prepare analysis of population
31 estimates and projections made by state agencies, political
32 subdivisions, other states, federal agencies, or nongovernmental
33 persons, institutions, or commissions;

34 (5) serve as the state liaison with the United States
35 Bureau of the Census, coordinate state and federal demographic
36 activities to the fullest extent possible, and aid the

1 legislature in preparing a census data plan and form for each
2 decennial census;

3 (6) compile an annual study of population estimates on the
4 basis of county, regional, or other political or geographical
5 subdivisions as necessary to carry out the purposes of this
6 section and section 4A.03;

7 (7) by January 1 of each year, issue a report to the
8 legislature containing an analysis of the demographic
9 implications of the annual population study and population
10 projections;

11 (8) prepare maps for all counties in the state, all
12 municipalities with a population of 10,000 or more, and other
13 municipalities as needed for census purposes, according to scale
14 and detail recommended by the United States Bureau of the
15 Census, with the maps of cities showing precinct boundaries;

16 (9) prepare an estimate of population and of the number of
17 households for each governmental subdivision for which the
18 Metropolitan Council does not prepare an annual estimate, and an
19 estimate of population over age 65 for each county for which the
20 Metropolitan Council does not prepare an annual estimate, and
21 convey the estimates to the governing body of each political
22 subdivision by May June 1 of each year;

23 (10) direct, under section 414.01, subdivision 14, and
24 certify population and household estimates of annexed or
25 detached areas of municipalities or towns after being notified
26 of the order or letter of approval by the director;

27 (11) prepare, for any purpose for which a population
28 estimate is required by law or needed to implement a law, a
29 population estimate of a municipality or town whose population
30 is affected by action under section 379.02 or 414.01,
31 subdivision 14; and

32 (12) prepare an estimate of average household size for each
33 statutory or home rule charter city with a population of 2,500
34 or more for which the Metropolitan Council does not prepare an
35 annual estimate, and convey the estimate to the governing body
36 of each affected city by May June 1 of each year.

1 (c) A governing body may challenge an estimate made under
2 paragraph (b) by filing their specific objections in writing
3 with the state demographer by June ~~10~~ 24. If the challenge does
4 not result in an acceptable estimate ~~by June-24~~, the governing
5 body may have a special census conducted by the United States
6 Bureau of the Census. The political subdivision must notify the
7 state demographer by July 1 of its intent to have the special
8 census conducted. The political subdivision must bear all costs
9 of the special census. Results of the special census must be
10 received by the state demographer by the next April 15 to be
11 used in that year's May June 1 estimate to the political
12 subdivision under paragraph (b).

13 (d) The state demographer shall certify the estimates of
14 population and household size to the commissioner of revenue by
15 July 15 each year, including any estimates still under objection.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 2. Minnesota Statutes 2004, section 168A.05,
19 subdivision 1a, is amended to read:

20 Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX
21 PAYMENT.] In the case of a manufactured home as defined in
22 section 327.31, subdivision 6, the department shall not issue a
23 certificate of title unless the application under section
24 168A.04 is accompanied with a statement from the county auditor
25 or county treasurer where the manufactured home is presently
26 located, stating that all manufactured home personal property
27 taxes levied on the unit in the name of the current owner at the
28 time of transfer have been paid. For this purpose, manufactured
29 home personal property taxes are treated as levied on January 1
30 of the payable year.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 3. Minnesota Statutes 2004, section 270.11,
34 subdivision 2, is amended to read:

35 Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED
36 WITH COMMISSIONER.] Each county assessor shall file by April 1

1 with the commissioner of revenue a copy of the abstract that
2 will be acted upon by the local and county boards of review.
3 The abstract must list the real and personal property in the
4 county itemized by assessment districts. The assessor of each
5 county in the state shall file with the commissioner, within ten
6 working days following final action of the local board of review
7 or equalization and within five days following final action of
8 the county board of equalization, any changes made by the local
9 or county board. The information must be filed in the manner
10 prescribed by the commissioner. It must be accompanied by a
11 printed or typewritten copy of the proceedings of the
12 appropriate board.

13 The final abstract of assessments after adjustments by the
14 State Board of Equalization and inclusion of any omitted
15 property shall be submitted to the commissioner of revenue on or
16 before September 1 of each calendar year. The final abstract
17 must separately report the captured tax capacity of tax
18 increment financing districts under section 469.177, subdivision
19 2, the metropolitan-revenue areawide net tax capacity
20 contribution value values determined under section sections
21 276A.05, subdivision 1, and 473F.07, subdivision 1, and the
22 value subject to the power line credit under section 273.42.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 4. Minnesota Statutes 2004, section 270.16,
26 subdivision 2, is amended to read:

27 Subd. 2. [FAILURE TO APPRAISE.] When an assessor has
28 failed to properly appraise at least ~~one-quarter~~ one-fifth of
29 the parcels of property in a district or county as provided in
30 section 273.01, the commissioner of revenue shall appoint a
31 special assessor and deputy assessor as necessary and cause a
32 reappraisal to be made of the property due for reassessment in
33 accordance with law.

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 5. Minnesota Statutes 2004, section 272.01,

1 subdivision 2, is amended to read:

2 Subd. 2. (a) When any real or personal property which is
3 exempt from ad valorem taxes, and taxes in lieu thereof, is
4 leased, loaned, or otherwise made available and used by a
5 private individual, association, or corporation in connection
6 with a business conducted for profit, there shall be imposed a
7 tax, for the privilege of so using or possessing such real or
8 personal property, in the same amount and to the same extent as
9 though the lessee or user was the owner of such property.

10 (b) The tax imposed by this subdivision shall not apply to:

11 (1) property leased or used as a concession in or relative
12 to the use in whole or part of a public park, market,
13 fairgrounds, port authority, economic development authority
14 established under chapter 469, municipal auditorium, municipal
15 parking facility, municipal museum, or municipal stadium;

16 (2) property of an airport owned by a city, town, county,
17 or group thereof which is:

18 (i) leased to or used by any person or entity including a
19 fixed base operator; and

20 (ii) used as a hangar for the storage or repair of aircraft
21 or to provide aviation goods, services, or facilities to the
22 airport or general public;

23 the exception from taxation provided in this clause does not
24 apply to:

25 (i) property located at an airport owned or operated by the
26 Metropolitan Airports Commission or by a city of over 50,000
27 population according to the most recent federal census or such a
28 city's airport authority;

29 (ii) hangars leased by a private individual, association,
30 or corporation in connection with a business conducted for
31 profit other than an aviation-related business; or

32 (iii) facilities leased by a private individual,
33 association, or corporation in connection with a business for
34 profit, that consists of a major jet engine repair facility
35 financed, in whole or part, with the proceeds of state bonds and
36 located in a tax increment financing district;

1 (3) property constituting or used as a public pedestrian
2 ramp or concourse in connection with a public airport; or

3 (4) property constituting or used as a passenger check-in
4 area or ticket sale counter, boarding area, or luggage claim
5 area in connection with a public airport but not the airports
6 owned or operated by the Metropolitan Airports Commission or
7 cities of over 50,000 population or an airport authority
8 therein. Real estate owned by a municipality in connection with
9 the operation of a public airport and leased or used for
10 agricultural purposes is not exempt;

11 (5) property leased, loaned, or otherwise made available to
12 a private individual, corporation, or association under a
13 cooperative farming agreement made pursuant to section 97A.135;
14 or

15 (6) property leased, loaned, or otherwise made available to
16 a private individual, corporation, or association under section
17 272.68, subdivision 4.

18 (c) Taxes imposed by this subdivision are payable as in the
19 case of personal property taxes and shall be assessed to the
20 lessees or users of real or personal property in the same manner
21 as taxes assessed to owners of real or personal property, except
22 that such taxes shall not become a lien against the property.
23 When due, the taxes shall constitute a debt due from the lessee
24 or user to the state, township, city, county, and school
25 district for which the taxes were assessed and shall be
26 collected in the same manner as personal property taxes. If
27 property subject to the tax imposed by this subdivision is
28 leased or used jointly by two or more persons, each lessee or
29 user shall be jointly and severally liable for payment of the
30 tax.

31 (d) The tax on real property of the state or any of its
32 political subdivisions that is leased by a private individual,
33 association, or corporation and becomes taxable under this
34 subdivision or other provision of law must be assessed and
35 collected as a personal property assessment. The taxes do not
36 become a lien against the real property.

1 [EFFECTIVE DATE.] This section is effective the day
 2 following final enactment.

3 Sec. 6. Minnesota Statutes 2004, section 272.02,
 4 subdivision 1a, is amended to read:

5 Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions
 6 granted by subdivision 1 are subject to the limits contained in
 7 the other subdivisions of this section, section 272.025, ~~or~~
 8 ~~273.13, subdivision 25, paragraph (e), clause (1) or (2), or~~
 9 ~~paragraph (d), clause (2)~~ and all other provisions of applicable
 10 law.

11 [EFFECTIVE DATE.] This section is effective the day
 12 following final enactment.

13 Sec. 7. Minnesota Statutes 2004, section 272.02,
 14 subdivision 7, is amended to read:

15 Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of
 16 purely public charity are exempt ~~except parcels of property~~
 17 ~~containing structures and the structures described in section~~
 18 ~~273.13, subdivision 25, paragraph (e), other than those that~~
 19 ~~qualify for exemption under subdivision 26.~~ In determining
 20 whether rental housing property qualifies for exemption under
 21 this subdivision, the following are not gifts or donations to
 22 the owner of the rental housing:

23 (1) rent assistance provided by the government to or on
 24 behalf of tenants, and

25 (2) financing assistance or tax credits provided by the
 26 government to the owner on condition that specific units or a
 27 specific quantity of units be set aside for persons or families
 28 with certain income characteristics.

29 The items described in clauses (1) and (2) may, however, be
 30 considered when making other determinations related to an
 31 exemption under this subdivision, including, without limitation,
 32 for the purpose of determining whether the recipient of housing
 33 or housing services is required to pay in whole or in part for
 34 the housing.

35 [EFFECTIVE DATE.] This section is effective for taxes
 36 payable in 2004 and thereafter.

1 Sec. 8. Minnesota Statutes 2004, section 272.02, is
2 amended by adding a subdivision to read:

3 Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR
4 NET PROCEEDS TAX.] (a) Real and personal property described in
5 section 298.25 is exempt to the extent the tax on taconite and
6 iron sulphides under section 298.24 is described in section
7 298.25 as being in lieu of other taxes on such property. This
8 exemption applies for taxes payable in each year that the tax
9 under section 298.24 is payable with respect to such property.

10 (b) Deposits of mineral, metal, or energy resources the
11 mining of which is subject to taxation under section 298.015 are
12 exempt. This exemption applies for taxes payable in each year
13 that the tax under section 298.015 is payable with respect to
14 such property.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 9. Minnesota Statutes 2004, section 272.02, is
18 amended by adding a subdivision to read:

19 Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real
20 property that a religious corporation, formed under section
21 317A.909, necessarily uses for a religious purpose is exempt to
22 the extent provided in section 317A.909, subdivision 3.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 10. Minnesota Statutes 2004, section 272.02, is
26 amended by adding a subdivision to read:

27 Subd. 70. [CHILDREN'S HOMES.] Personal and real property
28 owned by a corporation formed under section 317A.907 is exempt
29 to the extent provided in section 317A.907, subdivision 7.

30 [EFFECTIVE DATE.] This section is effective the day
31 following final enactment.

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

34 Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL
35 HOUSING AUTHORITY PROPERTY.] Property owned by a housing and
36 redevelopment authority described in chapter 469, or by a

1 designated housing authority described in section 469.040,
2 subdivision 5, is exempt to the extent provided in chapter 469.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

5 Sec. 12. Minnesota Statutes 2004, section 272.02, is
6 amended by adding a subdivision to read:

7 Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT
8 AUTHORITIES.] Property of projects of housing and redevelopment
9 authorities are exempt to the extent permitted by sections
10 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 13. Minnesota Statutes 2004, section 272.02, is
14 amended by adding a subdivision to read:

15 Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property
16 of a regional rail authority as defined in chapter 398A is
17 exempt to the extent permitted by section 398A.05.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 14. Minnesota Statutes 2004, section 272.02, is
21 amended by adding a subdivision to read:

22 Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA
23 AUTHORITY.] Property owned by the Spirit Mountain Recreation
24 Area Authority is exempt from taxation to the extent provided in
25 Laws 1973, chapter 327, section 6.

26 Sec. 15. Minnesota Statutes 2004, section 272.02, is
27 amended by adding a subdivision to read:

28 Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of
29 this section, the term "installed capacity" means generator
30 nameplate capacity.

31 [EFFECTIVE DATE.] This section is effective the day
32 following final enactment.

33 Sec. 16. Minnesota Statutes 2004, section 272.029,
34 subdivision 4, is amended to read:

35 Subd. 4. [REPORTS.] (a) An owner of a wind energy
36 conversion system subject to tax under subdivision 3 shall file

1 a report with the commissioner of revenue annually on or before
2 ~~March~~ February 1 detailing the amount of electricity in
3 kilowatt-hours that was produced by the wind energy conversion
4 system for the previous calendar year. The commissioner shall
5 prescribe the form of the report. The report must contain the
6 information required by the commissioner to determine the tax
7 due to each county under this section for the current year. If
8 an owner of a wind energy conversion system subject to taxation
9 under this section fails to file the report by the due date, the
10 commissioner of revenue shall determine the tax based upon the
11 nameplate capacity of the system multiplied by a capacity factor
12 of 40 percent.

13 (b) On or before ~~March-31~~ February 28, the commissioner of
14 revenue shall notify the owner of the wind energy conversion
15 systems of the tax due to each county for the current year and
16 shall certify to the county auditor of each county in which the
17 systems are located the tax due from each owner for the current
18 year.

19 [EFFECTIVE DATE.] This section is effective for reports and
20 certifications due in 2006 and thereafter.

21 Sec. 17. Minnesota Statutes 2004, section 272.029,
22 subdivision 6, is amended to read:

23 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
24 taxes imposed under subdivision 5 must be part of the settlement
25 between the county treasurer and the county auditor under
26 section 276.09. The revenue must be distributed by the county
27 auditor or the county treasurer to all local taxing
28 jurisdictions in which the wind energy conversion system is
29 located, as follows: beginning with distributions in 2006, 80
30 percent to counties; 14 percent to cities and townships; and six
31 percent to school districts; and for distributions occurring in
32 2004 and 2005 in the same proportion that each of the local
33 taxing jurisdiction's current year's net tax capacity based tax
34 rate is to the current year's total local net tax capacity based
35 rate.

36 [EFFECTIVE DATE.] This section is effective the day

1 following final enactment.

2 Sec. 18. Minnesota Statutes 2004, section 273.11,
3 subdivision 8, is amended to read:

4 Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the
5 purposes of this subdivision, the terms defined in this
6 subdivision have the meanings given them.

7 A "limited equity cooperative" is a corporation organized
8 under chapter 308A or 308B, which has as its primary purpose the
9 provision of housing and related services to its members which
10 meets one of the following criteria with respect to the income
11 of its members: (1) a minimum of 75 percent of members must
12 have incomes at or less than 90 percent of area median income,
13 (2) a minimum of 40 percent of members must have incomes at or
14 less than 60 percent of area median income, or (3) a minimum of
15 20 percent of members must have incomes at or less than 50
16 percent of area median income. For purposes of this clause,
17 "member income" shall mean the income of a member existing at
18 the time the member acquires cooperative membership, and median
19 income shall mean the St. Paul-Minneapolis metropolitan area
20 median income as determined by the United States Department of
21 Housing and Urban Development. It must also meet the following
22 requirements:

23 (a) The articles of incorporation set the sale price of
24 occupancy entitling cooperative shares or memberships at no more
25 than a transfer value determined as provided in the articles.
26 That value may not exceed the sum of the following:

27 (1) the consideration paid for the membership or shares by
28 the first occupant of the unit, as shown in the records of the
29 corporation;

30 (2) the fair market value, as shown in the records of the
31 corporation, of any improvements to the real property that were
32 installed at the sole expense of the member with the prior
33 approval of the board of directors;

34 (3) accumulated interest, or an inflation allowance not to
35 exceed the greater of a ten percent annual noncompounded
36 increase on the consideration paid for the membership or share

1 by the first occupant of the unit, or the amount that would have
2 been paid on that consideration if interest had been paid on it
3 at the rate of the percentage increase in the revised Consumer
4 Price Index for All Urban Consumers for the Minneapolis-St. Paul
5 metropolitan area prepared by the United States Department of
6 Labor, provided that the amount determined pursuant to this
7 clause may not exceed \$500 for each year or fraction of a year
8 the membership or share was owned; plus

9 (4) real property capital contributions shown in the
10 records of the corporation to have been paid by the transferor
11 member and previous holders of the same membership, or of
12 separate memberships that had entitled occupancy to the unit of
13 the member involved. These contributions include contributions
14 to a corporate reserve account the use of which is restricted to
15 real property improvements or acquisitions, contributions to the
16 corporation which are used for real property improvements or
17 acquisitions, and the amount of principal amortized by the
18 corporation on its indebtedness due to the financing of real
19 property acquisition or improvement or the averaging of
20 principal paid by the corporation over the term of its real
21 property-related indebtedness.

22 (b) The articles of incorporation require that the board of
23 directors limit the purchase price of stock or membership
24 interests for new member-occupants or resident shareholders to
25 an amount which does not exceed the transfer value for the
26 membership or stock as defined in clause (a).

27 (c) The articles of incorporation require that the total
28 distribution out of capital to a member shall not exceed that
29 transfer value.

30 (d) The articles of incorporation require that upon
31 liquidation of the corporation any assets remaining after
32 retirement of corporate debts and distribution to members will
33 be conveyed to a charitable organization described in section
34 501(c) (3) of the Internal Revenue Code of 1986, as amended
35 through December 31, 1992, or a public agency.

36 A "limited equity cooperative apartment" is a dwelling unit

1 owned by a limited equity cooperative.

2 "Occupancy entitling cooperative share or membership" is
3 the ownership interest in a cooperative organization which
4 entitles the holder to an exclusive right to occupy a dwelling
5 unit owned or leased by the cooperative.

6 For purposes of taxation, the assessor shall value a unit
7 owned by a limited equity cooperative at the lesser of its
8 market value or the value determined by capitalizing the net
9 operating income of a comparable apartment operated on a rental
10 basis at the capitalization rate used in valuing comparable
11 buildings that are not limited equity cooperatives. If a
12 cooperative fails to operate in accordance with the provisions
13 of clauses (a) to (d), the property shall be subject to
14 additional property taxes in the amount of the difference
15 between the taxes determined in accordance with this subdivision
16 for the last ten years that the property had been assessed
17 pursuant to this subdivision and the amount that would have been
18 paid if the provisions of this subdivision had not applied to
19 it. The additional taxes, plus interest at the rate specified
20 in section 549.09, shall be extended against the property on the
21 tax list for the current year.

22 [EFFECTIVE DATE.] This section is effective for taxes
23 payable in 2004 and thereafter.

24 Sec. 19. Minnesota Statutes 2004, section 273.124,
25 subdivision 3, is amended to read:

26 Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS;
27 HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a
28 corporation or association organized under chapter 308A or 308B,
29 and each person who owns a share or shares in the corporation or
30 association is entitled to occupy a building on the property, or
31 a unit within a building on the property, the corporation or
32 association may claim homestead treatment for each dwelling, or
33 for each unit in the case of a building containing several
34 dwelling units, or for the part of the value of the building
35 occupied by a shareholder. Each building or unit must be
36 designated by legal description or number. The net tax capacity

1 of each building or unit that qualifies for assessment as a
2 homestead under this subdivision must include not more than
3 one-half acre of land, if platted, nor more than 80 acres if
4 unplatted. The net tax capacity of the property is the sum of
5 the net tax capacities of each of the respective buildings or
6 units comprising the property, including the net tax capacity of
7 each unit's or building's proportionate share of the land and
8 any common buildings. To qualify for the treatment provided by
9 this subdivision, the corporation or association must be wholly
10 owned by persons having a right to occupy a building or unit
11 owned by the corporation or association. A charitable
12 corporation organized under the laws of Minnesota and not
13 otherwise exempt thereunder with no outstanding stock qualifies
14 for homestead treatment with respect to member residents of the
15 dwelling units who have purchased and hold residential
16 participation warrants entitling them to occupy the units.

17 (b) To the extent provided in paragraph (a), a cooperative
18 or corporation organized under chapter 308A may obtain separate
19 assessment and valuation, and separate property tax statements
20 for each residential homestead, residential nonhomestead, or for
21 each seasonal residential recreational building or unit not used
22 for commercial purposes. The appropriate class rates under
23 section 273.13 shall be applicable as if each building or unit
24 were a separate tax parcel; provided, however, that the tax
25 parcel which exists at the time the cooperative or corporation
26 makes application under this subdivision shall be a single
27 parcel for purposes of property taxes or the enforcement and
28 collection thereof, other than as provided in paragraph (a) or
29 this paragraph.

30 (c) A member of a corporation or association may initially
31 obtain the separate assessment and valuation and separate
32 property tax statements, as provided in paragraph (b), by
33 applying to the assessor by June 30 of the assessment year.

34 (d) When a building, or dwelling units within a building,
35 no longer qualify under paragraph (a) or (b), the current owner
36 must notify the assessor within 30 days. Failure to notify the

1 assessor within 30 days shall result in the loss of benefits
2 under paragraph (a) or (b) for taxes payable in the year that
3 the failure is discovered. For these purposes, "benefits under
4 paragraph (a) or (b)" means the difference in the net tax
5 capacity of the building or units which no longer qualify as
6 computed under paragraph (a) or (b) and as computed under the
7 otherwise applicable law, times the local tax rate applicable to
8 the building for that taxes payable year. Upon discovery of a
9 failure to notify, the assessor shall inform the auditor of the
10 difference in net tax capacity for the building or buildings in
11 which units no longer qualify, and the auditor shall calculate
12 the benefits under paragraph (a) or (b). Such amount, plus a
13 penalty equal to 100 percent of that amount, shall then be
14 demanded of the building's owner. The property owner may appeal
15 the county's determination by serving copies of a petition for
16 review with county officials as provided in section 278.01 and
17 filing a proof of service as provided in section 278.01 with the
18 Minnesota Tax Court within 60 days of the date of the notice
19 from the county. The appeal shall be governed by the Tax Court
20 procedures provided in chapter 271, for cases relating to the
21 tax laws as defined in section 271.01, subdivision 5;
22 disregarding sections 273.125, subdivision 5, and 278.03, but
23 including section 278.05, subdivision 2. If the amount of the
24 benefits under paragraph (a) or (b) and penalty are not paid
25 within 60 days, and if no appeal has been filed, the county
26 auditor shall certify the amount of the benefit and penalty to
27 the succeeding year's tax list to be collected as part of the
28 property taxes on the affected property.

29 **[EFFECTIVE DATE.]** This section is effective for taxes
30 payable in 2004 and thereafter.

31 Sec. 20. Minnesota Statutes 2004, section 273.124,
32 subdivision 6, is amended to read:

33 Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more
34 dwellings or one or more buildings which each contain several
35 dwelling units is owned by a nonprofit corporation subject to
36 the provisions of chapter 317A and qualifying under section

1 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as
2 amended through December 31, 1990, or a limited partnership
3 which corporation or partnership operates the property in
4 conjunction with a cooperative association, and has received
5 public financing, homestead treatment may be claimed by the
6 cooperative association on behalf of the members of the
7 cooperative for each dwelling unit occupied by a member of the
8 cooperative. The cooperative association must provide the
9 assessor with the Social Security numbers of those members. To
10 qualify for the treatment provided by this subdivision, the
11 following conditions must be met:

12 (a) the cooperative association must be organized under
13 chapter 308A or 308B and all voting members of the board of
14 directors must be resident tenants of the cooperative and must
15 be elected by the resident tenants of the cooperative;

16 (b) the cooperative association must have a lease for
17 occupancy of the property for a term of at least 20 years, which
18 permits the cooperative association, while not in default on the
19 lease, to participate materially in the management of the
20 property, including material participation in establishing
21 budgets, setting rent levels, and hiring and supervising a
22 management agent;

23 (c) to the extent permitted under state or federal law, the
24 cooperative association must have a right under a written
25 agreement with the owner to purchase the property if the owner
26 proposes to sell it; if the cooperative association does not
27 purchase the property it is offered for sale, the owner may not
28 subsequently sell the property to another purchaser at a price
29 lower than the price at which it was offered for sale to the
30 cooperative association unless the cooperative association
31 approves the sale;

32 (d) a minimum of 40 percent of the cooperative
33 association's members must have incomes at or less than 60
34 percent of area median gross income as determined by the United
35 States Secretary of Housing and Urban Development under section
36 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended

1 through December 31, 1991. For purposes of this clause, "member
2 income" means the income of a member existing at the time the
3 member acquires cooperative membership;

4 (e) if a limited partnership owns the property, it must
5 include as the managing general partner a nonprofit organization
6 operating under the provisions of chapter 317A and qualifying
7 under section 501(c)(3) or 501(c)(4) of the Internal Revenue
8 Code of 1986, as amended through December 31, 1990, and the
9 limited partnership agreement must provide that the managing
10 general partner have sufficient powers so that it materially
11 participates in the management and control of the limited
12 partnership;

13 (f) prior to becoming a member of a leasehold cooperative
14 described in this subdivision, a person must have received
15 notice that (1) describes leasehold cooperative property in
16 plain language, including but not limited to the effects of
17 classification under this subdivision on rents, property taxes
18 and tax credits or refunds, and operating expenses, and (2)
19 states that copies of the articles of incorporation and bylaws
20 of the cooperative association, the lease between the owner and
21 the cooperative association, a sample sublease between the
22 cooperative association and a tenant, and, if the owner is a
23 partnership, a copy of the limited partnership agreement, can be
24 obtained upon written request at no charge from the owner, and
25 the owner must send or deliver the materials within seven days
26 after receiving any request;

27 (g) if a dwelling unit of a building was occupied on the
28 60th day prior to the date on which the unit became leasehold
29 cooperative property described in this subdivision, the notice
30 described in paragraph (f) must have been sent by first class
31 mail to the occupant of the unit at least 60 days prior to the
32 date on which the unit became leasehold cooperative property.
33 For purposes of the notice under this paragraph, the copies of
34 the documents referred to in paragraph (f) may be in proposed
35 version, provided that any subsequent material alteration of
36 those documents made after the occupant has requested a copy

1 shall be disclosed to any occupant who has requested a copy of
2 the document. Copies of the articles of incorporation and
3 certificate of limited partnership shall be filed with the
4 secretary of state after the expiration of the 60-day period
5 unless the change to leasehold cooperative status does not
6 proceed;

7 (h) the county attorney of the county in which the property
8 is located must certify to the assessor that the property meets
9 the requirements of this subdivision;

10 (i) the public financing received must be from at least one
11 of the following sources:

12 (1) tax increment financing proceeds used for the
13 acquisition or rehabilitation of the building or interest rate
14 write-downs relating to the acquisition of the building;

15 (2) government issued bonds exempt from taxes under section
16 103 of the Internal Revenue Code of 1986, as amended through
17 December 31, 1991, the proceeds of which are used for the
18 acquisition or rehabilitation of the building;

19 (3) programs under section 221(d)(3), 202, or 236, of Title
20 II of the National Housing Act;

21 (4) rental housing program funds under Section 8 of the
22 United States Housing Act of 1937 or the market rate family
23 graduated payment mortgage program funds administered by the
24 Minnesota Housing Finance Agency that are used for the
25 acquisition or rehabilitation of the building;

26 (5) low-income housing credit under section 42 of the
27 Internal Revenue Code of 1986, as amended through December 31,
28 1991;

29 (6) public financing provided by a local government used
30 for the acquisition or rehabilitation of the building, including
31 grants or loans from (i) federal community development block
32 grants; (ii) HOME block grants; or (iii) residential rental
33 bonds issued under chapter 474A; or

34 (7) other rental housing program funds provided by the
35 Minnesota Housing Finance Agency for the acquisition or
36 rehabilitation of the building;

1 (j) at the time of the initial request for homestead
2 classification or of any transfer of ownership of the property,
3 the governing body of the municipality in which the property is
4 located must hold a public hearing and make the following
5 findings:

6 (1) that the granting of the homestead treatment of the
7 apartment's units will facilitate safe, clean, affordable
8 housing for the cooperative members that would otherwise not be
9 available absent the homestead designation;

10 (2) that the owner has presented information satisfactory
11 to the governing body showing that the savings garnered from the
12 homestead designation of the units will be used to reduce
13 tenant's rents or provide a level of furnishing or maintenance
14 not possible absent the designation; and

15 (3) that the requirements of paragraphs (b), (d), and (i)
16 have been met.

17 Homestead treatment must be afforded to units occupied by
18 members of the cooperative association and the units must be
19 assessed as provided in subdivision 3, provided that any unit
20 not so occupied shall be classified and assessed pursuant to the
21 appropriate class. No more than three acres of land may, for
22 assessment purposes, be included with each dwelling unit that
23 qualifies for homestead treatment under this subdivision.

24 When dwelling units no longer qualify under this
25 subdivision, the current owner must notify the assessor within
26 60 days. Failure to notify the assessor within 60 days shall
27 result in the loss of benefits under this subdivision for taxes
28 payable in the year that the failure is discovered. For these
29 purposes, "benefits under this subdivision" means the difference
30 in the net tax capacity of the units which no longer qualify as
31 computed under this subdivision and as computed under the
32 otherwise applicable law, times the local tax rate applicable to
33 the building for that taxes payable year. Upon discovery of a
34 failure to notify, the assessor shall inform the auditor of the
35 difference in net tax capacity for the building or buildings in
36 which units no longer qualify, and the auditor shall calculate

1 the benefits under this subdivision. Such amount, plus a
2 penalty equal to 100 percent of that amount, shall then be
3 demanded of the building's owner. The property owner may appeal
4 the county's determination by serving copies of a petition for
5 review with county officials as provided in section 278.01 and
6 filing a proof of service as provided in section 278.01 with the
7 Minnesota Tax Court within 60 days of the date of the notice
8 from the county. The appeal shall be governed by the Tax Court
9 procedures provided in chapter 271, for cases relating to the
10 tax laws as defined in section 271.01, subdivision 5;
11 disregarding sections 273.125, subdivision 5, and 278.03, but
12 including section 278.05, subdivision 2. If the amount of the
13 benefits under this subdivision and penalty are not paid within
14 60 days, and if no appeal has been filed, the county auditor
15 shall certify the amount of the benefit and penalty to the
16 succeeding year's tax list to be collected as part of the
17 property taxes on the affected buildings.

18 [EFFECTIVE DATE.] This section is effective for taxes
19 payable in 2004 and thereafter.

20 Sec. 21. Minnesota Statutes 2004, section 273.124,
21 subdivision 8, is amended to read:

22 Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM
23 CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR
24 PARTNERSHIP.] (a) Each family farm corporation, ~~each~~; each joint
25 family farm venture, ~~and~~ and each limited liability company, ~~and~~
26 each or partnership operating which operates a family farm; is
27 entitled to class 1b under section 273.13, subdivision 22,
28 paragraph (b), or class 2a assessment for one homestead occupied
29 by a shareholder, member, or partner thereof who is residing on
30 the land, and actively engaged in farming of the land owned by
31 the family farm corporation, joint family farm venture, limited
32 liability company, or partnership ~~operating-a-family-farm~~.
33 Homestead treatment applies even if legal title to the property
34 is in the name of the family farm corporation, joint family farm
35 venture, limited liability company, or partnership ~~operating-the~~
36 ~~family-farm~~, and not in the name of the person residing on it.

1 "Family farm corporation," "family farm," and "partnership
2 operating a family farm" have the meanings given in section
3 500.24, except that the number of allowable shareholders,
4 members, or partners under this subdivision shall not exceed
5 12. "Limited liability company" has the meaning contained in
6 sections 322B.03, subdivision 28, and 500.24, subdivision 2,
7 paragraphs (l) and (m). "Joint family farm venture" means a
8 cooperative agreement among two or more farm enterprises
9 authorized to operate a family farm under section 500.24.

10 (b) In addition to property specified in paragraph (a), any
11 other residences owned by family farm corporations, joint family
12 farm ventures, limited liability companies, or partnerships
13 ~~operating-a-family-farm~~ described in paragraph (a) which are
14 located on agricultural land and occupied as homesteads by its
15 shareholders, members, or partners who are actively engaged in
16 farming on behalf of that corporation, joint farm venture,
17 limited liability company, or partnership must also be assessed
18 as class 2a property or as class 1b property under section
19 273.13.

20 (c) Agricultural property that is owned by a member,
21 partner, or shareholder of a family farm corporation or joint
22 family farm venture, limited liability company operating a
23 family farm, or by a partnership operating a family farm and
24 leased to the family farm corporation, limited liability
25 company, ~~or partnership operating-a-family-farm~~, or joint farm
26 venture, as defined in paragraph (a), is eligible for
27 classification as class 1b or class 2a under section 273.13, if
28 the owner is actually residing on the property, and is actually
29 engaged in farming the land on behalf of that corporation, joint
30 farm venture, limited liability company, or partnership. This
31 paragraph applies without regard to any legal possession rights
32 of the family farm corporation, joint family farm venture,
33 limited liability company, or partnership ~~operating-a-family~~
34 ~~farm~~ under the lease.

35 **[EFFECTIVE DATE.]** This section is effective the day
36 following final enactment.

1 Sec. 22. Minnesota Statutes 2004, section 273.124,
2 subdivision 13, is amended to read:

3 Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets
4 the homestead requirements under subdivision 1 must file a
5 homestead application with the county assessor to initially
6 obtain homestead classification.

7 (b) On or before January 2, 1993, each county assessor
8 shall mail a homestead application to the owner of each parcel
9 of property within the county which was classified as homestead
10 for the 1992 assessment year. The format and contents of a
11 uniform homestead application shall be prescribed by the
12 commissioner of revenue. The commissioner shall consult with
13 the chairs of the house and senate tax committees on the
14 contents of the homestead application form. The application
15 must clearly inform the taxpayer that this application must be
16 signed by all owners who occupy the property or by the
17 qualifying relative and returned to the county assessor in order
18 for the property to continue receiving homestead treatment. The
19 envelope containing the homestead application shall clearly
20 identify its contents and alert the taxpayer of its necessary
21 immediate response.

22 (c) Every property owner applying for homestead
23 classification must furnish to the county assessor the Social
24 Security number of each occupant who is listed as an owner of
25 the property on the deed of record, the name and address of each
26 owner who does not occupy the property, and the name and Social
27 Security number of each owner's spouse who occupies the
28 property. The application must be signed by each owner who
29 occupies the property and by each owner's spouse who occupies
30 the property, or, in the case of property that qualifies as a
31 homestead under subdivision 1, paragraph (c), by the qualifying
32 relative.

33 If a property owner occupies a homestead, the property
34 owner's spouse may not claim another property as a homestead
35 unless the property owner and the property owner's spouse file
36 with the assessor an affidavit or other proof required by the

1 assessor stating that the property qualifies as a homestead
2 under subdivision 1, paragraph (e).

3 Owners or spouses occupying residences owned by their
4 spouses and previously occupied with the other spouse, either of
5 whom fail to include the other spouse's name and Social Security
6 number on the homestead application or provide the affidavits or
7 other proof requested, will be deemed to have elected to receive
8 only partial homestead treatment of their residence. The
9 remainder of the residence will be classified as nonhomestead
10 residential. When an owner or spouse's name and Social Security
11 number appear on homestead applications for two separate
12 residences and only one application is signed, the owner or
13 spouse will be deemed to have elected to homestead the residence
14 for which the application was signed.

15 The Social Security numbers or affidavits or other proofs
16 of the property owners and spouses are private data on
17 individuals as defined by section 13.02, subdivision 12, but,
18 notwithstanding that section, the private data may be disclosed
19 to the commissioner of revenue, or, for purposes of proceeding
20 under the Revenue Recapture Act to recover personal property
21 taxes owing, to the county treasurer.

22 (d) If residential real estate is occupied and used for
23 purposes of a homestead by a relative of the owner and qualifies
24 for a homestead under subdivision 1, paragraph (c), in order for
25 the property to receive homestead status, a homestead
26 application must be filed with the assessor. The Social
27 Security number of each relative occupying the property and the
28 Social Security number of each owner who is related to an
29 occupant of the property shall be required on the homestead
30 application filed under this subdivision. If a different
31 relative of the owner subsequently occupies the property, the
32 owner of the property must notify the assessor within 30 days of
33 the change in occupancy. The Social Security number of a
34 relative occupying the property is private data on individuals
35 as defined by section 13.02, subdivision 12, but may be
36 disclosed to the commissioner of revenue.

1 (e) The homestead application shall also notify the
2 property owners that the application filed under this section
3 will not be mailed annually and that if the property is granted
4 homestead status for the 1993 assessment, or any assessment year
5 thereafter, that same property shall remain classified as
6 homestead until the property is sold or transferred to another
7 person, or the owners, the spouse of the owner, or the relatives
8 no longer use the property as their homestead. Upon the sale or
9 transfer of the homestead property, a certificate of value must
10 be timely filed with the county auditor as provided under
11 section 272.115. Failure to notify the assessor within 30 days
12 that the property has been sold, transferred, or that the owner,
13 the spouse of the owner, or the relative is no longer occupying
14 the property as a homestead, shall result in (i) a requirement
15 to repay homestead benefits related to assessment dates after
16 the ownership or occupancy change, except for years for which a
17 new and valid homestead application was effective, and limited
18 to benefits for taxes payable in the current year and the five
19 prior years; (ii) the penalty provided under this-subdivision
20 paragraph (h) for each of the same years, if applicable; and
21 (iii) the property will lose its current homestead status for
22 the current assessment year unless a new homestead application
23 is effective for that assessment. The provisions of section
24 273.02 with regard to property erroneously classified as a
25 homestead do not apply. The person to be notified of the
26 reimbursement requirement and of the penalty under the
27 procedures in paragraph (h) is the owner who sold or transferred
28 the property or whose relative is no longer occupying the
29 property as a homestead.

30 (f) If the homestead application is not returned within 30
31 days, the county will send a second application to the present
32 owners of record. The notice of proposed property taxes
33 prepared under section 275.065, subdivision 3, shall reflect the
34 property's classification. Beginning with assessment year 1993
35 for all properties, if a homestead application has not been
36 filed with the county by December 15, the assessor shall

1 classify the property as nonhomestead for the current assessment
2 year for taxes payable in the following year, provided that the
3 owner may be entitled to receive the homestead classification by
4 proper application under section 375.192.

5 (g) At the request of the commissioner, each county must
6 give the commissioner a list that includes the name and Social
7 Security number of each property owner and the property owner's
8 spouse occupying the property, or relative of a property owner,
9 applying for homestead classification under this subdivision.
10 The commissioner shall use the information provided on the lists
11 as appropriate under the law, including for the detection of
12 improper claims by owners, or relatives of owners, under chapter
13 290A.

14 (h) If ~~the commissioner~~ a city or county assessor finds
15 that a property owner ~~may be claiming a fraudulent~~ is receiving
16 homestead benefits that are not allowable under the law,
17 ~~the commissioner shall notify the appropriate counties. Within~~
18 ~~90 days of the notification, the county assessor shall~~
19 ~~investigate to determine if the homestead classification was~~
20 ~~properly claimed. If the property owner does not qualify, the~~
21 county assessor shall notify the county auditor who will
22 determine the amount of homestead benefits that had been
23 improperly allowed for taxes payable in the current year and in
24 each of the five prior years. For the purpose of this section,
25 "homestead benefits" means the tax reduction resulting from the
26 classification as a homestead under section 273.13, the taconite
27 homestead credit under section 273.135, the residential
28 homestead and agricultural homestead credits under section
29 273.1384, and the supplemental homestead credit under section
30 273.1391.
31 The county auditor shall send a notice to the person who
32 owned the affected property at the time the homestead
33 application related to the improper homestead was filed,
34 demanding reimbursement of the homestead benefits not allowable
35 under the law for taxes payable in the current year and the five
36 prior years. The notice shall demand reimbursement of those

1 homestead benefits, plus a penalty equal to 400 either:

2 (i) ten percent of the homestead benefits if the owner
3 acted with negligent or intentional disregard of the applicable
4 tax laws and rules but without intent to defraud; or

5 (ii) 50 percent of the homestead benefits if the owner
6 fraudulently attempted in any manner to evade or defeat the
7 proper tax.

8 If the penalty provided in this paragraph is imposed and
9 the assessor becomes aware that the property is improperly
10 classified as a homestead for the current assessment year, the
11 assessor shall reclassify the property for that assessment, and
12 the provisions of section 273.02 with regard to property
13 erroneously classified as a homestead do not apply.

14 A penalty under this section shall be abated under section
15 375.192 upon a determination that the improper classification
16 was due to reasonable cause. The person notified may appeal the
17 county's determination by serving copies of a petition for
18 review with county officials as provided in section 278.01 and
19 filing proof of service as provided in section 278.01 with the
20 Minnesota Tax Court within 60 days of the date of the notice
21 from the county. Procedurally, the appeal is governed by the
22 provisions in chapter 271 which apply to the appeal of a
23 property tax assessment or levy, but without requiring any
24 prepayment of the amount in controversy. If the amount of
25 homestead benefits and penalty is not paid within 60 days, and
26 if no appeal has been filed, the county auditor shall certify
27 the amount of taxes and penalty to the county treasurer. The
28 county treasurer will add interest to the unpaid homestead
29 benefits and penalty amounts at the rate provided in section
30 279.03 for real property taxes becoming delinquent in the
31 calendar year during which the amount remains unpaid. Interest
32 may be assessed for the period beginning 60 days after demand
33 for payment was made.

34 If the person notified is the current owner of the
35 property, the treasurer may add the total amount of homestead
36 benefits, penalty, interest, and costs to the ad valorem taxes

1 otherwise payable on the property by including the amounts on
2 the property tax statements under section 276.04, subdivision
3 3. The amounts added under this paragraph to the ad valorem
4 taxes shall include interest accrued through December 31 of the
5 year preceding the taxes payable year for which the amounts are
6 first added. These amounts, when added to the property tax
7 statement, become subject to all the laws for the enforcement of
8 real or personal property taxes for that year, and for any
9 subsequent year.

10 If the person notified is not the current owner of the
11 property, the treasurer may collect the amounts due under the
12 Revenue Recapture Act in chapter 270A, or use any of the powers
13 granted in sections 277.20 and 277.21 without exclusion, to
14 enforce payment of the homestead benefits, penalty, interest,
15 and costs, as if those amounts were delinquent tax obligations
16 of the person who owned the property at the time the application
17 related to the improperly allowed homestead was filed. The
18 treasurer may relieve a prior owner of personal liability for
19 the homestead benefits, penalty, interest, and costs, and
20 instead extend those amounts on the tax lists against the
21 property as provided in this paragraph to the extent that the
22 current owner agrees in writing. On all demands, billings,
23 property tax statements, and related correspondence, the county
24 must list and state separately the amounts of homestead
25 benefits, penalty, interest and costs being demanded, billed or
26 assessed.

27 (i) Any amount of homestead benefits recovered by the
28 county from the property owner shall be distributed to the
29 county, city or town, and school district where the property is
30 located in the same proportion that each taxing district's levy
31 was to the total of the three taxing districts' levy for the
32 current year. Any amount recovered attributable to taconite
33 homestead credit shall be transmitted to the St. Louis County
34 auditor to be deposited in the taconite property tax relief
35 account. Any amount recovered that is attributable to
36 supplemental homestead credit is to be transmitted to the

1 commissioner of revenue for deposit in the general fund of the
2 state treasury. The total amount of penalty collected must be
3 deposited in the county general fund.

4 (j) If a property owner has applied for more than one
5 homestead and the county assessors cannot determine which
6 property should be classified as homestead, the county assessors
7 will refer the information to the commissioner. The
8 commissioner shall make the determination and notify the
9 counties within 60 days.

10 (k) In addition to lists of homestead properties, the
11 commissioner may ask the counties to furnish lists of all
12 properties and the record owners. The Social Security numbers
13 and federal identification numbers that are maintained by a
14 county or city assessor for property tax administration
15 purposes, and that may appear on the lists retain their
16 classification as private or nonpublic data; but may be viewed,
17 accessed, and used by the county auditor or treasurer of the
18 same county for the limited purpose of assisting the
19 commissioner in the preparation of microdata samples under
20 section 270.0681.

21 (l) On or before April 30 each year, each county must
22 provide the commissioner with the following data for each parcel
23 of homestead property by electronic means as defined in section
24 289A.02, subdivision 8:

25 (i) the property identification number assigned to the
26 parcel for purposes of taxes payable in the current year;

27 (ii) the name and Social Security number of each property
28 owner and property owner's spouse, as shown on the tax rolls for
29 the current and the prior assessment year;

30 (iii) the classification of the property under section
31 273.13 for taxes payable in the current year and in the prior
32 year;

33 (iv) an indication of whether the property was classified
34 as a homestead for taxes payable in the current year or for
35 taxes payable in the prior year because of occupancy by a
36 relative of the owner or by a spouse of a relative;

1 (v) the property taxes payable as defined in section
2 290A.03, subdivision 13, for the current year and the prior
3 year;

4 (vi) the market value of improvements to the property first
5 assessed for tax purposes for taxes payable in the current year;

6 (vii) the assessor's estimated market value assigned to the
7 property for taxes payable in the current year and the prior
8 year;

9 (viii) the taxable market value assigned to the property
10 for taxes payable in the current year and the prior year;

11 (ix) whether there are delinquent property taxes owing on
12 the homestead;

13 (x) the unique taxing district in which the property is
14 located; and

15 (xi) such other information as the commissioner decides is
16 necessary.

17 The commissioner shall use the information provided on the
18 lists as appropriate under the law, including for the detection
19 of improper claims by owners, or relatives of owners, under
20 chapter 290A.

21 [EFFECTIVE DATE.] This section is generally effective July
22 1, 2005, and thereafter, except the changes in paragraphs (e)
23 and (h) are effective only for notices initially sent out under
24 those paragraphs on or after July 1, 2005.

25 Sec. 23. Minnesota Statutes 2004, section 273.124,
26 subdivision 21, is amended to read:

27 Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held
28 by a trustee under a trust is eligible for classification as
29 homestead property if:

30 (1) the grantor or surviving spouse of the grantor of the
31 trust occupies and uses the property as a homestead;

32 (2) a relative or surviving relative of the grantor who
33 meets the requirements of subdivision 1, paragraph (c), in the
34 case of residential real estate; or subdivision 1, paragraph

35 (d), in the case of agricultural property, occupies and uses the
36 property as a homestead;

1 (3) a family farm corporation, joint farm venture, limited
2 liability company, or partnership operating a family farm rents
3 the property held by a trustee under a trust, and the grantor,
4 the spouse of the grantor, or the son or daughter of the
5 grantor, who is also a shareholder, member, or partner of the
6 corporation, joint farm venture, limited liability company, or
7 partnership occupies and uses the property as a homestead, and
8 or is actively farming the property on behalf of the
9 corporation, joint farm venture, limited liability company, or
10 partnership; or

11 (4) a person who has received homestead classification for
12 property taxes payable in 2000 on the basis of an unqualified
13 legal right under the terms of the trust agreement to occupy the
14 property as that person's homestead and who continues to use the
15 property as a homestead or a person who received the homestead
16 classification for taxes payable in 2005 under clause (3) who
17 does not qualify under clause (3) for taxes payable in 2006 or
18 thereafter but who continues to qualify under clause (3) as it
19 existed for taxes payable in 2005.

20 For purposes of this subdivision, "grantor" is defined as
21 the person creating or establishing a testamentary, inter Vivos,
22 revocable or irrevocable trust by written instrument or through
23 the exercise of a power of appointment.

24 [EFFECTIVE DATE.] This section is effective for taxes
25 payable in 2006 and thereafter.

26 Sec. 24. Minnesota Statutes 2004, section 273.1315, is
27 amended to read:

28 273.1315 [CERTIFICATION OF 1B PROPERTY.]

29 Any property owner seeking classification and assessment of
30 the owner's homestead as class 1b property pursuant to section
31 273.13, subdivision 22, paragraph (b), shall file with the
32 commissioner of revenue a 1b homestead declaration, on a form
33 prescribed by the commissioner. The declaration shall contain
34 the following information:

35 (a) the information necessary to verify that on or before
36 June 30 of the filing year, the property owner or the owner's

1 spouse satisfies the requirements of section 273.13, subdivision
2 22, paragraph (b), for 1b classification; and

3 (b) any additional information prescribed by the
4 commissioner.

5 The declaration must be filed on or before October 1 to be
6 effective for property taxes payable during the succeeding
7 calendar year. The declaration and any supplementary
8 information received from the property owner pursuant to this
9 section shall be subject to chapter 270B. If approved by the
10 commissioner, the declaration remains in effect until the
11 property no longer qualifies under section 273.13, subdivision
12 22, paragraph (b). Failure to notify the commissioner within 30
13 days that the property no longer qualifies under that paragraph
14 because of a sale, change in occupancy, or change in the status
15 or condition of an occupant shall result in the penalty provided
16 in section 273.124, subdivision 13, computed on the basis of the
17 class 1b benefits for the property, and the property shall lose
18 its current class 1b classification.

19 The commissioner shall provide to the assessor on or before
20 November 1 a listing of the parcels of property qualifying for
21 1b classification.

22 **[EFFECTIVE DATE.]** This section is effective the day
23 following final enactment.

24 Sec. 25. Minnesota Statutes 2004, section 273.19,
25 subdivision 1a, is amended to read:

26 Subd. 1a. For purposes of this section, a lease includes
27 any agreement, except a cooperative farming agreement pursuant
28 to section 97A.135, subdivision 3, or a lease executed pursuant
29 to section 272.68, subdivision 4, permitting a nonexempt person
30 or entity to use the property, regardless of whether the
31 agreement is characterized as a lease. A lease has a "term of
32 at least one year" if the term is for a period of less than one
33 year and the lease permits the parties to renew the lease
34 without requiring that similar terms for leasing the property
35 will be offered to other applicants or bidders through a
36 competitive bidding or other form of offer to potential lessees

1 or users.

2 [EFFECTIVE DATE.] This section is effective the day
3 following final enactment.

4 Sec. 26. Minnesota Statutes 2004, section 273.372, is
5 amended to read:

6 273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD
7 VALUATIONS.]

8 ~~An appeal by a utility or railroad company concerning the~~
9 ~~exemption, valuation, or classification of property for which~~
10 ~~the commissioner of revenue has provided the city or county~~
11 ~~assessor with valuations by order, or for which the commissioner~~
12 ~~has recommended values to the city or county assessor, must be~~
13 ~~brought against the commissioner in Tax Court or in district~~
14 ~~court of the county where the property is located, and not~~
15 ~~against the county or taxing district where the property is~~
16 ~~located.~~ Subdivision 1. [SCOPE.] This section governs judicial
17 review of a claim that public utility property or railroad
18 operating property has been partially, unfairly, or unequally
19 assessed, or assessed at a valuation greater than its real or
20 actual value, or that the property is exempt. However, this
21 section applies only to property described in sections 273.33,
22 273.35, and 273.37, and only if the net tax capacity has not
23 been changed from that provided to the city or a county by the
24 commissioner. If the net tax capacity being appealed is not the
25 net tax capacity established by the commissioner through order
26 or recommendation, or if the petition claims that the tax levied
27 against the parcel is illegal, in whole or in part, or if the
28 petition claims the tax has been paid, the action must be
29 brought under chapter 278 without regard to this section in each
30 county where the property is located and proper service must be
31 made upon the local officials specified in section 278.01,
32 subdivision 1.

33 Subd. 2. [CONTENTS AND FILING OF PETITION.] In all cases
34 under this section, the petition must be served on the
35 commissioner and must be filed with the Tax Court in Ramsey
36 County. In all cases under this section that directly challenge

1 an order of the commissioner, the petition must include all the
 2 parcels encompassed by that order which the petitioner claims
 3 have been partially, unfairly, or unequally assessed, assessed
 4 at a valuation greater than their real or actual value, or are
 5 exempt. In all cases under this section not directly
 6 challenging a commissioner's order, the petition must include
 7 either all the utility parcels or all the railroad parcels in
 8 the state in which the petitioner claims an interest and which
 9 the petitioner claims have been partially, unfairly, or
 10 unequally assessed, assessed at a valuation greater than their
 11 real or actual value, or are exempt.

12 Subd. 3. [APPLICABILITY OF OTHER LAWS.] If the appeal to
 13 court is from governed by this section directly challenges an
 14 order of the commissioner, it the appeal must be brought under
 15 chapter 271, except that when the provisions of this section
 16 conflict with chapter 271, this section prevails. If the an
 17 appeal governed by this section is from the exemption,
 18 valuation, classification, or tax that results from
 19 implementation of the a commissioner's order or recommendation,
 20 it must be brought under the provisions of chapter 278, and the
 21 provisions in that chapter apply, except that service shall be
 22 on the commissioner only and not on the county local officials
 23 specified in section 278.01, subdivision 1, and if any other
 24 provision of this section conflicts with chapter 278, this
 25 section prevails.

26 This provision applies to the property described in
 27 sections 273.33, 273.35, 273.36, and 273.37, but only if the
 28 appealed values have remained unchanged from those provided to
 29 the city or county by the commissioner. If the exemption,
 30 valuation, or classification being appealed has been changed by
 31 the city or county, then the action must be brought under
 32 chapter 278 in the county where the property is located and
 33 proper service must be made upon the county officials as
 34 specified in section 278.01, subdivision 1.

35 Subd. 4. [NOTICE.] Upon filing of any appeal by a utility
 36 company or railroad against the commissioner under this section,

1 the commissioner shall give notice by first class mail to each
2 county which would be affected by the appeal.

3 Subd. 5. [ADMINISTRATIVE APPEALS.] Companies that submit
4 the reports under section 270.82 or 273.371 by the date
5 specified in that section, or by the date specified by the
6 commissioner in an extension, may appeal administratively to the
7 commissioner ~~under the procedures in section 270.117, subdivision~~
8 ~~6, prior to bringing an action in Tax Court or in district~~
9 ~~court~~, however, instituting an administrative appeal with the
10 commissioner does not change or modify the deadline in section
11 271.06 for appealing an order of the commissioner ~~in Tax Court~~
12 or the deadline in section 278.01 for filing a property tax
13 claim or objection ~~in Tax Court or district court~~.

14 [EFFECTIVE DATE.] This section is effective for petitions
15 served and filed on or after September 1, 2005.

16 Sec. 27. Minnesota Statutes 2004, section 274.014,
17 subdivision 2, is amended to read:

18 Subd. 2. [APPEALS AND EQUALIZATION COURSE.] ~~By no later~~
19 ~~than January 1,~~ Beginning in 2006, and each year thereafter,
20 there must be at least one member at each meeting of a local
21 board of appeal and equalization who has attended an appeals and
22 equalization course developed or approved by the commissioner
23 within the last four years, as certified by the commissioner.
24 The course may be offered in conjunction with a meeting of the
25 Minnesota League of Cities or the Minnesota Association of
26 Townships. The course content must include, but need not be
27 limited to, a review of the handbook developed by the
28 commissioner under subdivision 1.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 28. Minnesota Statutes 2004, section 274.014,
32 subdivision 3, is amended to read:

33 Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a)
34 Any city or town that ~~does not~~ conducts local boards of appeal
35 and equalization meetings must provide proof to the county
36 assessor by December 1, 2006, and each year thereafter, that it

1 is in compliance with the requirements of subdivision 27-and
 2 ~~that-it-had.~~ Beginning in 2006, this notice must also verify
 3 that there was a quorum of voting members at each meeting of the
 4 board of appeal and equalization in the ~~prior~~ current year~~7.~~ A
 5 city or town that does not comply with these requirements is
 6 deemed to have transferred its board of appeal and equalization
 7 powers to the county ~~under-section-274-017-subdivision-37~~
 8 ~~for~~ beginning with the following year's assessment and
 9 continuing unless the powers are reinstated under paragraph (c).

10 (b) The county shall notify the taxpayers when the board of
 11 appeal and equalization for a city or town has been transferred
 12 to the county under this subdivision and, prior to the meeting
 13 time of the county board of equalization, the county shall make
 14 available to those taxpayers a procedure for a review of the
 15 assessments, including, but not limited to, open book meetings.
 16 This alternate review process shall take place in April and May.

17 (c) A local board whose powers are transferred to the
 18 county under this subdivision may be reinstated by resolution of
 19 the governing body of the city or town and upon proof of
 20 compliance with the requirements of subdivision 2. The
 21 resolution and proofs must be provided to the county assessor by
 22 December 1 in order to be effective for the following year's
 23 assessment.

24 [EFFECTIVE DATE.] This section is effective the day
 25 following final enactment.

26 Sec. 29. Minnesota Statutes 2004, section 274.14, is
 27 amended to read:

28 274.14 [LENGTH OF SESSION; RECORD.]

29 ~~The-county-board-of-equalization-or-the-special-board-of~~
 30 ~~equalization-appointed-by-it-shall-meet-during-the-last-ten~~
 31 ~~meeting-days-in-June.--For-this-purpose7-"meeting-days"-are~~
 32 ~~defined-as-any-day-of-the-week-excluding-Saturday-and-Sunday.~~
 33 The board may meet on any ten consecutive meeting days in June,
 34 after the second Friday in June~~7-if.~~ The actual meeting dates
 35 are must be contained on the valuation notices mailed to each
 36 property owner in the county under as provided in section

1 273.121. For this purpose, "meeting days" is defined as any day
2 of the week excluding Saturday and Sunday. No action taken by
3 the county board of review after June 30 is valid, except for
4 corrections permitted in sections 273.01 and 274.01. The county
5 auditor shall keep an accurate record of the proceedings and
6 orders of the board. The record must be published like other
7 proceedings of county commissioners. A copy of the published
8 record must be sent to the commissioner of revenue, with the
9 abstract of assessment required by section 274.16.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 30. Minnesota Statutes 2004, section 275.065,
13 subdivision 1a, is amended to read:

14 Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a
15 taxing authority lying in two or more counties, the home county
16 auditor shall certify the proposed levy and the proposed local
17 tax rate to the other county auditor by ~~September-20~~ October 5.
18 The home county auditor must estimate the levy or rate in
19 preparing the notices required in subdivision 3, if the other
20 county has not certified the appropriate information. If
21 requested by the home county auditor, the other county auditor
22 must furnish an estimate to the home county auditor.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 31. Minnesota Statutes 2004, section 275.07,
26 subdivision 1, is amended to read:

27 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
28 provided under paragraph (b), the taxes voted by cities,
29 counties, school districts, and special districts shall be
30 certified by the proper authorities to the county auditor on or
31 before five working days after December 20 in each year. A town
32 must certify the levy adopted by the town board to the county
33 auditor by September 15 each year. If the town board modifies
34 the levy at a special town meeting after September 15, the town
35 board must recertify its levy to the county auditor on or before
36 five working days after December 20. ~~The taxes certified shall~~

1 ~~be-reduced-by-the-county-auditor-by-the-aid-received-under~~
2 ~~section-273.1398, subdivision-3.~~ If a city, town, county,
3 school district, or special district fails to certify its levy
4 by that date, its levy shall be the amount levied by it for the
5 preceding year.

6 (b) (i) The taxes voted by counties under sections 103B.241,
7 103B.245, and 103B.251 shall be separately certified by the
8 county to the county auditor on or before five working days
9 after December 20 in each year. The taxes certified shall not
10 be reduced by the county auditor by the aid received under
11 section 273.1398, subdivision 3. If a county fails to certify
12 its levy by that date, its levy shall be the amount levied by it
13 for the preceding year.

14 (ii) For purposes of the proposed property tax notice under
15 section 275.065 and the property tax statement under section
16 276.04, for the first year in which the county implements the
17 provisions of this paragraph, the county auditor shall reduce
18 the county's levy for the preceding year to reflect any amount
19 levied for water management purposes under clause (i) included
20 in the county's levy.

21 **[EFFECTIVE DATE.]** This section is effective the day
22 following final enactment.

23 Sec. 32. Minnesota Statutes 2004, section 275.07,
24 subdivision 4, is amended to read:

25 Subd. 4. **[REPORT TO COMMISSIONER.]** (a) On or before
26 October 8 of each year, the county auditor shall report to the
27 commissioner of revenue the proposed levy certified by local
28 units of government under section 275.065, subdivision 1. If
29 any taxing authorities have notified the county auditor that
30 they are in the process of negotiating an agreement for sharing,
31 merging, or consolidating services but that when the proposed
32 levy was certified under section 275.065, subdivision 1c, the
33 agreement was not yet finalized, the county auditor shall supply
34 that information to the commissioner when filing the report
35 under this section and shall recertify the affected levies as
36 soon as practical after October 10.

1 (b) On or before January 15 of each year, the county
2 auditor shall report to the commissioner of revenue the final
3 levy certified by local units of government under subdivision 1.

4 (c) The levies must be reported in the manner prescribed by
5 the commissioner. ~~The reports must show a total levy and the~~
6 ~~amount of each special levy.~~

7 [EFFECTIVE DATE.] This section is effective the day
8 following final enactment.

9 Sec. 33. Minnesota Statutes 2004, section 276.04,
10 subdivision 2, is amended to read:

11 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
12 shall provide for the printing of the tax statements. The
13 commissioner of revenue shall prescribe the form of the property
14 tax statement and its contents. The statement must contain a
15 tabulated statement of the dollar amount due to each taxing
16 authority and the amount of the state tax from the parcel of
17 real property for which a particular tax statement is prepared.
18 The dollar amounts attributable to the county, the state tax,
19 the voter approved school tax, the other local school tax, the
20 township or municipality, and the total of the metropolitan
21 special taxing districts as defined in section 275.065,
22 subdivision 3, paragraph (i), must be separately stated. The
23 amounts due all other special taxing districts, if any, may be
24 aggregated. If the county levy under this paragraph includes an
25 amount for a lake improvement district as defined under sections
26 103B.501 to 103B.581, the amount attributable for that purpose
27 must be separately stated from the remaining county levy
28 amount. The amount of the tax on homesteads qualifying under
29 the senior citizens' property tax deferral program under chapter
30 290B is the total amount of property tax before subtraction of
31 the deferred property tax amount. The amount of the tax on
32 contamination value imposed under sections 270.91 to 270.98, if
33 any, must also be separately stated. The dollar amounts,
34 including the dollar amount of any special assessments, may be
35 rounded to the nearest even whole dollar. For purposes of this
36 section whole odd-numbered dollars may be adjusted to the next

1 higher even-numbered dollar. The amount of market value
2 excluded under section 273.11, subdivision 16, if any, must also
3 be listed on the tax statement.

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

8 (c) Real and personal property tax statements must contain
9 the following information in the order given in this paragraph.
10 The information must contain the current year tax information in
11 the right column with the corresponding information for the
12 previous year in a column on the left:

13 (1) the property's estimated market value under section
14 273.11, subdivision 1;

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

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

20 (4) a total of the following aids:

21 (i) education aids payable under chapters 122A, 123A, 123B,
22 124D, 125A, 126C, and 127A;

23 (ii) local government aids for cities, towns, and counties
24 under ~~chapter-477A~~ sections 477A.011 to 477A.014; and

25 (iii) disparity reduction aid under section 273.1398;

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

28 (6) any credits received under sections 273.119; 273.123;
29 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
30 473H.10, except that the amount of credit received under section
31 273.135 must be separately stated and identified as "taconite
32 tax relief"; and

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

35 (d) If the county uses envelopes for mailing property tax
36 statements and if the county agrees, a taxing district may

1 include a notice with the property tax statement notifying
2 taxpayers when the taxing district will begin its budget
3 deliberations for the current year, and encouraging taxpayers to
4 attend the hearings. If the county allows notices to be
5 included in the envelope containing the property tax statement,
6 and if more than one taxing district relative to a given
7 property decides to include a notice with the tax statement, the
8 county treasurer or auditor must coordinate the process and may
9 combine the information on a single announcement.

10 The commissioner of revenue shall certify to the county
11 auditor the actual or estimated aids enumerated in clause (4)
12 that local governments will receive in the following year. The
13 commissioner must certify this amount by January 1 of each year.

14 [EFFECTIVE DATE.] This section is effective the day
15 following final enactment.

16 Sec. 34. Minnesota Statutes 2004, section 276.112, is
17 amended to read:

18 276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

19 On or before January 25 each year, for the period ending
20 December 31 of the prior year, and on or before June ~~29~~ 28 each
21 year, for the period ending on the most recent settlement day
22 determined in section 276.09, and on or before December 2 each
23 year, for the period ending November 20, the county treasurer
24 must make full settlement with the county auditor according to
25 sections 276.09, 276.10, and 276.111 for all receipts of state
26 property taxes levied under section 275.025, and must transmit
27 those receipts to the commissioner of revenue by electronic
28 means.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 35. Minnesota Statutes 2004, section 276A.01,
32 subdivision 7, is amended to read:

33 Subd. 7. [POPULATION.] "Population" means the most recent
34 estimate of the population of a municipality made by the state
35 demographer and filed with the commissioner of revenue as of
36 July ~~±~~ 15 of the year in which a municipality's distribution net

1 tax capacity is calculated. The state demographer shall
 2 annually estimate the population of each municipality and, in
 3 the case of a municipality which is located partly within and
 4 partly without the area, the proportion of the total which
 5 resides within the area, and shall file the estimates with the
 6 commissioner of revenue.

7 [EFFECTIVE DATE.] This section is effective the day
 8 following final enactment.

9 Sec. 36. Minnesota Statutes 2004, section 282.016, is
 10 amended to read:

11 282.016 [PROHIBITED PURCHASERS.]

12 ~~No~~ (a) A county auditor, county treasurer, county attorney,
 13 court administrator of the district court, or county assessor
 14 or, supervisor of assessments, or deputy or clerk or an employee
 15 of such officer, and no a commissioner for tax-forfeited lands
 16 or an assistant to such commissioner may, must not become a
 17 purchaser, either personally or as an agent or attorney for
 18 another person, of the properties offered for sale under the
 19 provisions of this chapter, -either-personally, -or-as-agent-or
 20 attorney-for-any-other-person, -except-that in the county for
 21 which the person performs duties.

22 (b) Notwithstanding paragraph (a), such officer, deputy,
 23 court-administrator clerk, or employee or commissioner for
 24 tax-forfeited lands or assistant to such commissioner may (1)
 25 purchase lands owned by that official at the time the state
 26 became the absolute owner thereof or (2) bid upon and purchase
 27 forfeited property offered for sale under the alternate sale
 28 procedure described in section 282.01, subdivision 7a.

29 [EFFECTIVE DATE.] This section is effective the day
 30 following final enactment.

31 Sec. 37. Minnesota Statutes 2004, section 282.08, is
 32 amended to read:

33 282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

34 The net proceeds from the sale or rental of any parcel of
 35 forfeited land, or from the sale of products from the forfeited
 36 land, must be apportioned by the county auditor to the taxing

1 districts interested in the land, as follows:

2 ~~(1) the amounts necessary to pay the state general tax levy~~
3 ~~against the parcel for taxes payable in the year for which the~~
4 ~~tax judgment was entered, and for each subsequent payable year~~
5 ~~up to and including the year of forfeiture, must be apportioned~~
6 ~~to the state;~~

7 ~~(2)~~ the portion required to pay any amounts included in the
8 appraised value under section 282.01, subdivision 3, as
9 representing increased value due to any public improvement made
10 after forfeiture of the parcel to the state, but not exceeding
11 the amount certified by the clerk of the municipality must be
12 apportioned to the municipal subdivision entitled to it;

13 ~~(3)~~ (2) the portion required to pay any amount included in
14 the appraised value under section 282.019, subdivision 5,
15 representing increased value due to response actions taken after
16 forfeiture of the parcel to the state, but not exceeding the
17 amount of expenses certified by the Pollution Control Agency or
18 the commissioner of agriculture, must be apportioned to the
19 agency or the commissioner of agriculture and deposited in the
20 fund from which the expenses were paid;

21 ~~(4)~~ (3) the portion of the remainder required to discharge
22 any special assessment chargeable against the parcel for
23 drainage or other purpose whether due or deferred at the time of
24 forfeiture, must be apportioned to the municipal subdivision
25 entitled to it; and

26 ~~(5)~~ (4) any balance must be apportioned as follows:

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

33 (ii) The county board may annually by resolution set aside
34 no more than 20 percent of the receipts remaining to be used for
35 the acquisition and maintenance of county parks or recreational
36 areas as defined in sections 398.31 to 398.36, to be expended

1 under the supervision of the county board.

2 (iii) Any balance remaining must be apportioned as
3 follows: county, 40 percent; town or city, 20 percent; and
4 school district, 40 percent, provided, however, that in
5 unorganized territory that portion which would have accrued to
6 the township must be administered by the county board of
7 commissioners.

8 [EFFECTIVE DATE.] This section is effective the day
9 following final enactment for state general tax levy amounts
10 payable in 2004 and thereafter.

11 Sec. 38. Minnesota Statutes 2004, section 282.15, is
12 amended to read:

13 282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

14 The sale shall be conducted by the auditor of the county in
15 which the parcels lie. The parcels shall be sold to the highest
16 bidder but not for less than the appraised value. The sales
17 shall be for cash or on the following terms: The appraised
18 value of all merchantable timber on agricultural lands shall be
19 paid for in full at the date of sale. At least 15 percent of
20 the purchase price of the land shall be paid in cash at the time
21 of purchase. The balance shall be paid in not more than 20
22 equal annual installments, with interest at a rate equal to the
23 rate in effect at the time under section 549.09 on the unpaid
24 balance each year. Both principal and interest are due and
25 payable on December 31 each year following that in which the
26 purchase was made. The purchaser may pay any number of
27 installments of principal and interest on or before their due
28 date. When the sale is on terms other than for cash in full,
29 the purchaser shall receive from the county auditor a contract
30 for deed, in a form prescribed by the attorney general. The
31 county auditor shall make a report to the commissioner of
32 natural resources not more than 30 days after each public sale
33 showing the lands sold at the sales, and submit a copy of each
34 contract of sale.

35 All lands sold pursuant to this section ~~shall, on the~~
36 ~~second-day-of-January-following-the-date-of-the-sale,~~ must be

1 restored to the tax rolls and become subject to taxation in the
2 same manner as they were assessed and taxed before becoming the
3 absolute property of the state for the assessment year
4 determined under section 272.02, subdivision 38, paragraph (c).

5 [EFFECTIVE DATE.] This section is effective for sales
6 occurring on or after July 1, 2005.

7 Sec. 39. Minnesota Statutes 2004, section 282.21, is
8 amended to read:

9 282.21 [FORM OF CONVEYANCE.]

10 When any sale has been made under sections 282.14 to
11 282.22, upon payment in full of the purchase price, appropriate
12 conveyance in fee in such form as may be prescribed by the
13 attorney general shall be issued by the commissioner of finance
14 natural resources to the purchaser or the purchaser's assigns
15 and this conveyance shall have the force and effect of a patent
16 from the state.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 Sec. 40. Minnesota Statutes 2004, section 282.224, is
20 amended to read:

21 282.224 [FORM OF CONVEYANCE.]

22 When any sale has been made under sections 282.221 to
23 282.226, upon payment in full of the purchase price, appropriate
24 conveyance in fee, in such form as may be prescribed by the
25 attorney general, shall be issued by the commissioner of natural
26 resources to the purchaser or the purchaser's assignee, and the
27 conveyance shall have the force and effect of a patent from the
28 state.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 41. Minnesota Statutes 2004, section 282.301, is
32 amended to read:

33 282.301 [RECEIPTS FOR PAYMENTS.]

34 When any sale has been made under sections 282.012 and
35 282.241 to 282.324, the purchaser shall receive from the county
36 auditor at the time of repurchase a receipt, in such form as may

1 be prescribed by the attorney general. When the purchase price
2 of a parcel of land shall be paid in full, the following facts
3 shall be certified by the county auditor to the commissioner of
4 revenue of the state of Minnesota: the description of land, the
5 date of sale, the name of the purchaser or the purchaser's
6 assignee, and the date when the final installment of the
7 purchase price was paid. Upon payment in full of the purchase
8 price, the purchaser or the assignee shall receive a quitclaim
9 deed from the state, to be executed by the commissioner of
10 revenue. The deed must be sent to the county auditor who shall
11 have it recorded before it is forwarded to the purchaser.
12 Failure to make any payment herein required shall constitute
13 default and upon such default and cancellation in accord with
14 section 282.40, the right, title and interest of the purchaser
15 or the purchaser's heirs, representatives, or assigns in such
16 parcel shall terminate.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 Sec. 42. Minnesota Statutes 2004, section 290A.19, is
20 amended to read:

21 290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT
22 CERTIFICATE.]

23 (a) The owner or managing agent of any property for which
24 rent is paid for occupancy as a homestead must furnish a
25 certificate of rent paid to a person who is a renter on December
26 31, in the form prescribed by the commissioner. If the renter
27 moves before December 31, the owner or managing agent may give
28 the certificate to the renter at the time of moving, or mail the
29 certificate to the forwarding address if an address has been
30 provided by the renter. The certificate must be made available
31 to the renter before February 1 of the year following the year
32 in which the rent was paid. The owner or managing agent must
33 retain a duplicate of each certificate or an equivalent record
34 showing the same information for a period of three years. The
35 duplicate or other record must be made available to the
36 commissioner upon request. For the purposes of this section,

1 "owner" includes a park owner as defined under section 327C.01,
2 subdivision 6, and "property" includes a lot as defined under
3 section 327C.01, subdivision 3.

4 (b) The commissioner may require the owner or managing
5 agent to file a copy of the certificate of rent paid with the
6 commissioner by April 15 of the year following the year in which
7 the rent was paid. The copy must be submitted to the
8 commissioner by electronic means as that term is defined in
9 section 289A.02, subdivision 8. This paragraph does not apply to
10 any owner or managing agent that is required to issue
11 certificates to renters of fewer than 100 units.

12 [EFFECTIVE DATE.] This section is effective for
13 certificates of rent paid that are issued for rent paid after
14 December 31, 2005.

15 Sec. 43. Minnesota Statutes 2004, section 290B.05,
16 subdivision 3, is amended to read:

17 Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.]
18 When final property tax amounts for the following year have been
19 determined, the county auditor shall calculate the "deferred
20 property tax amount." The deferred property tax amount is equal
21 to the lesser of (1) the maximum allowable deferral for the
22 year; or (2) the difference between (i) the total amount of
23 property taxes and special assessments levied upon the
24 qualifying homestead by all taxing jurisdictions and (ii) the
25 maximum property tax amount. ~~Any-special-assessments-levied-by~~
26 ~~any-local-unit-of-government-must-not-be-included-in-the-total~~
27 ~~tax-used-to-calculate-the-deferred-tax-amount.~~ For this purpose
28 "special assessments" includes any assessment, fee, or other
29 charge that may by law, and which does, appear on the property
30 tax statement for the property for collection under the laws
31 applicable to the enforcement of real estate taxes. Any tax
32 attributable to new improvements made to the property after the
33 initial application has been approved under section 290B.04,
34 subdivision 2, must be excluded when determining any subsequent
35 deferred property tax amount. The county auditor shall
36 annually, on or before April 15, certify to the commissioner of

1 revenue the property tax deferral amounts determined under this
2 subdivision by property and by owner.

3 [EFFECTIVE DATE.] This section is effective for amounts
4 deferred in 2006 and thereafter.

5 Sec. 44. Minnesota Statutes 2004, section 373.45,
6 subdivision 7, is amended to read:

7 Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as
8 provided in paragraph (b), the commissioner may reduce, by the
9 amount paid by the state under this section on behalf of the
10 county, plus the interest due on the state payments, the
11 ~~following-aids-payable-to-the-county:~~

12 ~~{1}-homestead-and-agricultural-credit-aid-and-disparity~~
13 ~~reduction-aid-payable-under-section-273.1398;~~

14 ~~{2}-county-criminal-justice-aid-payable-under-section~~
15 ~~477A.0121;-and~~

16 ~~{3}-family-preservation-aid-payable-under-section-477A.0122~~
17 county program aid under section 477A.0124.

18 The amount of any aid reduction reverts from the appropriate
19 account to the state general fund.

20 (b) If, after review of the financial situation of the
21 county, the authority advises the commissioner that a total
22 reduction of the aids would cause an undue hardship on the
23 county, the authority, with the approval of the commissioner,
24 may establish a different schedule for reduction of aids to
25 repay the state. The amount of aids to be reduced are decreased
26 by any amounts repaid to the state by the county from other
27 revenue sources.

28 [EFFECTIVE DATE.] This section is effective for aid payable
29 in 2005 and thereafter.

30 Sec. 45. Minnesota Statutes 2004, section 469.1735,
31 subdivision 3, is amended to read:

32 Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city
33 may elect to use all or part of its allocation under subdivision
34 2 to reimburse the city or county or both for property tax
35 reductions under section 272.0212. To elect this option, the
36 city must notify the commissioner of revenue by October 1 of

1 each calendar year of the amount of the property tax
2 reductions for which it seeks reimbursements for taxes payable
3 during the ~~following~~ current year and the governmental units to
4 which the amounts will be paid. The commissioner may require
5 the city to provide information substantiating the amount of the
6 reductions granted or any other information necessary to
7 administer this provision. The commissioner shall pay the
8 reimbursements by December 26 of the taxes payable year. Any
9 amount transferred under this authority reduces the amount of
10 tax credit certificates available under subdivisions 1 and 2.

11 (b) The amount elected by the city under paragraph (a) is
12 appropriated to the commissioner of revenue from the general
13 fund to reimburse the city or county for tax reductions under
14 section 272.0212. The amount appropriated may not exceed the
15 maximum amounts allocated to a city under subdivision 2,
16 paragraph (b), less the amount of certificates issued by the
17 city under subdivision 1, and is available until expended.

18 **[EFFECTIVE DATE.]** This section is effective for
19 reimbursements of taxes payable in 2005 and thereafter.

20 Sec. 46. [473.24] [POPULATION ESTIMATES.]

21 (a) The Metropolitan Council shall annually prepare an
22 estimate of population for each county, city, and town in the
23 metropolitan area and an estimate of the number of households
24 and average household size for each city in the metropolitan
25 area with a population of 2,500 or more, and an estimate of
26 population over age 65 for each county in the metropolitan area,
27 and convey the estimates to the governing body of each county,
28 city, or town by June 1 each year. In the case of a city or
29 town that is located partly within and partly without the
30 metropolitan area, the Metropolitan Council shall estimate the
31 proportion of the total population and the average size of
32 households that reside within the area. The Metropolitan
33 Council may prepare an estimate of the population and of the
34 average household size for any other political subdivision
35 located in the metropolitan area.

36 (b) A governing body may challenge an estimate made under

1 this section by filing its specific objections in writing with
 2 the Metropolitan Council by June 24. If the challenge does not
 3 result in an acceptable estimate, the governing body may have a
 4 special census conducted by the United States Bureau of the
 5 Census. The political subdivision must notify the Metropolitan
 6 Council on or before July 1 of its intent to have the special
 7 census conducted. The political subdivision must bear all costs
 8 of the special census. Results of the special census must be
 9 received by the Metropolitan Council by the next April 15 to be
 10 used in that year's June 1 estimate under this section. The
 11 Metropolitan Council shall certify the estimates of population
 12 and the average household size to the state demographer and to
 13 the commissioner of revenue by July 15 each year, including any
 14 estimates still under objection.

15 [EFFECTIVE DATE.] This section is effective the day
 16 following final enactment.

17 Sec. 47. Minnesota Statutes 2004, section 473F.02,
 18 subdivision 7, is amended to read:

19 Subd. 7. [POPULATION.] "Population" means the most recent
 20 estimate of the population of a municipality made by the
 21 Metropolitan Council under section 473.24 and filed with the
 22 commissioner of revenue as of July ± 15 of the year in which a
 23 municipality's distribution net tax capacity is calculated. ~~The~~
 24 ~~council shall annually estimate the population of each~~
 25 ~~municipality as of a date which it determines and, in the case~~
 26 ~~of a municipality which is located partly within and partly~~
 27 ~~without the area, the proportion of the total which resides~~
 28 ~~within the area, and shall promptly thereafter file its~~
 29 ~~estimates with the commissioner of revenue.~~

30 [EFFECTIVE DATE.] This section is effective the day
 31 following final enactment.

32 Sec. 48. Minnesota Statutes 2004, section 477A.011,
 33 subdivision 3, is amended to read:

34 Subd. 3. [POPULATION.] "Population" means the
 35 population estimated or established as of July ± 15 in an aid
 36 calculation year by the most recent federal census, by a special

1 census conducted under contract with the United States Bureau of
2 the Census, by a population estimate made by the Metropolitan
3 Council pursuant to section 473.24, or by a population estimate
4 of the state demographer made pursuant to section 4A.02,
5 whichever is the most recent as to the stated date of the count
6 or estimate for the preceding calendar year, and which has been
7 certified to the commissioner of revenue on or before July 15 of
8 the aid calculation year. The term "per capita" refers to
9 population as defined by this subdivision. A revision of an
10 estimate or count is effective for these purposes only if it is
11 certified to the commissioner on or before July 15 of the aid
12 calculation year. Clerical errors in the certification or use
13 of the estimates and counts established as of July 15 in the aid
14 calculation year are subject to correction within the time
15 periods allowed under section 477A.014.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 49. Minnesota Statutes 2004, section 477A.011,
19 subdivision 36, is amended to read:

20 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
21 provided in this subdivision, "city aid base" is zero.

22 (b) The city aid base for any city with a population less
23 than 500 is increased by \$40,000 for aids payable in calendar
24 year 1995 and thereafter, and the maximum amount of total aid it
25 may receive under section 477A.013, subdivision 9, paragraph
26 (c), is also increased by \$40,000 for aids payable in calendar
27 year 1995 only, provided that:

28 (i) the average total tax capacity rate for taxes payable
29 in 1995 exceeds 200 percent;

30 (ii) the city portion of the tax capacity rate exceeds 100
31 percent; and

32 (iii) its city aid base is less than \$60 per capita.

33 (c) The city aid base for a city is increased by \$20,000 in
34 1998 and thereafter and the maximum amount of total aid it may
35 receive under section 477A.013, subdivision 9, paragraph (c), is
36 also increased by \$20,000 in calendar year 1998 only, provided

1 that:

2 (i) the city has a population in 1994 of 2,500 or more;

3 (ii) the city is located in a county, outside of the
4 metropolitan area, which contains a city of the first class;

5 (iii) the city's net tax capacity used in calculating its
6 1996 aid under section 477A.013 is less than \$400 per capita;
7 and

8 (iv) at least four percent of the total net tax capacity,
9 for taxes payable in 1996, of property located in the city is
10 classified as railroad property.

11 (d) The city aid base for a city is increased by \$200,000
12 in 1999 and thereafter and the maximum amount of total aid it
13 may receive under section 477A.013, subdivision 9, paragraph
14 (c), is also increased by \$200,000 in calendar year 1999 only,
15 provided that:

16 (i) the city was incorporated as a statutory city after
17 December 1, 1993;

18 (ii) its city aid base does not exceed \$5,600; and

19 (iii) the city had a population in 1996 of 5,000 or more.

20 (e) The city aid base for a city is increased by \$450,000
21 in 1999 to 2008 and the maximum amount of total aid it may
22 receive under section 477A.013, subdivision 9, paragraph (c), is
23 also increased by \$450,000 in calendar year 1999 only, provided
24 that:

25 (i) the city had a population in 1996 of at least 50,000;

26 (ii) its population had increased by at least 40 percent in
27 the ten-year period ending in 1996; and

28 (iii) its city's net tax capacity for aids payable in 1998
29 is less than \$700 per capita.

30 ~~(f) Beginning in 2004, the city aid base for a city is~~
31 ~~equal to the sum of its city aid base in 2003 and the amount of~~
32 ~~additional aid it was certified to receive under section 477A.06~~
33 ~~in 2003. For 2004 only, the maximum amount of total aid a city~~
34 ~~may receive under section 477A.013, subdivision 9, paragraph~~
35 ~~(c), is also increased by the amount it was certified to receive~~
36 ~~under section 477A.06 in 2003.~~

1 ~~(g)~~ The city aid base for a city is increased by \$150,000
2 for aids payable in 2000 and thereafter, and the maximum amount
3 of total aid it may receive under section 477A.013, subdivision
4 9, paragraph (c), is also increased by \$150,000 in calendar year
5 2000 only, provided that:

6 (1) the city has a population that is greater than 1,000
7 and less than 2,500;

8 (2) its commercial and industrial percentage for aids
9 payable in 1999 is greater than 45 percent; and

10 (3) the total market value of all commercial and industrial
11 property in the city for assessment year 1999 is at least 15
12 percent less than the total market value of all commercial and
13 industrial property in the city for assessment year 1998.

14 ~~(h)~~ (g) The city aid base for a city is increased by
15 \$200,000 in 2000 and thereafter, and the maximum amount of total
16 aid it may receive under section 477A.013, subdivision 9,
17 paragraph (c), is also increased by \$200,000 in calendar year
18 2000 only, provided that:

19 (1) the city had a population in 1997 of 2,500 or more;

20 (2) the net tax capacity of the city used in calculating
21 its 1999 aid under section 477A.013 is less than \$650 per
22 capita;

23 (3) the pre-1940 housing percentage of the city used in
24 calculating 1999 aid under section 477A.013 is greater than 12
25 percent;

26 (4) the 1999 local government aid of the city under section
27 477A.013 is less than 20 percent of the amount that the formula
28 aid of the city would have been if the need increase percentage
29 was 100 percent; and

30 (5) the city aid base of the city used in calculating aid
31 under section 477A.013 is less than \$7 per capita.

32 ~~(i)~~ (h) The city aid base for a city is increased by
33 \$102,000 in 2000 and thereafter, and the maximum amount of total
34 aid it may receive under section 477A.013, subdivision 9,
35 paragraph (c), is also increased by \$102,000 in calendar year
36 2000 only, provided that:

1 (1) the city has a population in 1997 of 2,000 or more;

2 (2) the net tax capacity of the city used in calculating
3 its 1999 aid under section 477A.013 is less than \$455 per
4 capita;

5 (3) the net levy of the city used in calculating 1999 aid
6 under section 477A.013 is greater than \$195 per capita; and

7 (4) the 1999 local government aid of the city under section
8 477A.013 is less than 38 percent of the amount that the formula
9 aid of the city would have been if the need increase percentage
10 was 100 percent.

11 ~~(j)~~ (i) The city aid base for a city is increased by
12 \$32,000 in 2001 and thereafter, and the maximum amount of total
13 aid it may receive under section 477A.013, subdivision 9,
14 paragraph (c), is also increased by \$32,000 in calendar year
15 2001 only, provided that:

16 (1) the city has a population in 1998 that is greater than
17 200 but less than 500;

18 (2) the city's revenue need used in calculating aids
19 payable in 2000 was greater than \$200 per capita;

20 (3) the city net tax capacity for the city used in
21 calculating aids available in 2000 was equal to or less than
22 \$200 per capita;

23 (4) the city aid base of the city used in calculating aid
24 under section 477A.013 is less than \$65 per capita; and

25 (5) the city's formula aid for aids payable in 2000 was
26 greater than zero.

27 ~~(k)~~ (j) The city aid base for a city is increased by \$7,200
28 in 2001 and thereafter, and the maximum amount of total aid it
29 may receive under section 477A.013, subdivision 9, paragraph
30 (c), is also increased by \$7,200 in calendar year 2001 only,
31 provided that:

32 (1) the city had a population in 1998 that is greater than
33 200 but less than 500;

34 (2) the city's commercial industrial percentage used in
35 calculating aids payable in 2000 was less than ten percent;

36 (3) more than 25 percent of the city's population was 60

1 years old or older according to the 1990 census;

2 (4) the city aid base of the city used in calculating aid
3 under section 477A.013 is less than \$15 per capita; and

4 (5) the city's formula aid for aids payable in 2000 was
5 greater than zero.

6 ~~(j)~~ (k) The city aid base for a city is increased by
7 \$45,000 in 2001 and thereafter and by an additional \$50,000 in
8 calendar years 2002 to 2011, and the maximum amount of total aid
9 it may receive under section 477A.013, subdivision 9, paragraph
10 (c), is also increased by \$45,000 in calendar year 2001 only,
11 and by \$50,000 in calendar year 2002 only, provided that:

12 (1) the net tax capacity of the city used in calculating
13 its 2000 aid under section 477A.013 is less than \$810 per
14 capita;

15 (2) the population of the city declined more than two
16 percent between 1988 and 1998;

17 (3) the net levy of the city used in calculating 2000 aid
18 under section 477A.013 is greater than \$240 per capita; and

19 (4) the city received less than \$36 per capita in aid under
20 section 477A.013, subdivision 9, for aids payable in 2000.

21 ~~(m)~~ (l) The city aid base for a city with a population of
22 10,000 or more which is located outside of the seven-county
23 metropolitan area is increased in 2002 and thereafter, and the
24 maximum amount of total aid it may receive under section
25 477A.013, subdivision 9, paragraph (b) or (c), is also increased
26 in calendar year 2002 only, by an amount equal to the lesser of:

27 (1)(i) the total population of the city, as determined by
28 the United States Bureau of the Census, in the 2000 census, (ii)
29 minus 5,000, (iii) times 60; or

30 (2) \$2,500,000.

31 ~~(n)~~ (m) The city aid base is increased by \$50,000 in 2002
32 and thereafter, and the maximum amount of total aid it may
33 receive under section 477A.013, subdivision 9, paragraph (c), is
34 also increased by \$50,000 in calendar year 2002 only, provided
35 that:

36 (1) the city is located in the seven-county metropolitan

1 area;

2 (2) its population in 2000 is between 10,000 and 20,000;

3 and

4 (3) its commercial industrial percentage, as calculated for
5 city aid payable in 2001, was greater than 25 percent.

6 ~~(e)~~ (n) The city aid base for a city is increased by
7 \$150,000 in calendar years 2002 to 2011 and the maximum amount
8 of total aid it may receive under section 477A.013, subdivision
9 9, paragraph (c), is also increased by \$150,000 in calendar year
10 2002 only, provided that:

11 (1) the city had a population of at least 3,000 but no more
12 than 4,000 in 1999;

13 (2) its home county is located within the seven-county
14 metropolitan area;

15 (3) its pre-1940 housing percentage is less than 15
16 percent; and

17 (4) its city net tax capacity per capita for taxes payable
18 in 2000 is less than \$900 per capita.

19 ~~(f)~~ (o) The city aid base for a city is increased by
20 \$200,000 beginning in calendar year 2003 and the maximum amount
21 of total aid it may receive under section 477A.013, subdivision
22 9, paragraph (c), is also increased by \$200,000 in calendar year
23 2003 only, provided that the city qualified for an increase in
24 homestead and agricultural credit aid under Laws 1995, chapter
25 264, article 8, section 18.

26 ~~(g)~~ (p) The city aid base for a city is increased by
27 \$200,000 in 2004 only and the maximum amount of total aid it may
28 receive under section 477A.013, subdivision 9, is also increased
29 by \$200,000 in calendar year 2004 only, if the city is the site
30 of a nuclear dry cask storage facility.

31 ~~(h)~~ (q) The city aid base for a city is increased by
32 \$10,000 in 2004 and thereafter and the maximum total aid it may
33 receive under section 477A.013, subdivision 9, is also increased
34 by \$10,000 in calendar year 2004 only, if the city was included
35 in a federal major disaster designation issued on April 1, 1998,
36 and its pre-1940 housing stock was decreased by more than 40

1 percent between 1990 and 2000.

2 [EFFECTIVE DATE.] This section is effective beginning with
3 aids payable in 2004.

4 Sec. 50. Minnesota Statutes 2004, section 477A.011,
5 subdivision 38, is amended to read:

6 Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the
7 average number of persons per household in the jurisdiction as
8 most recently estimated and reported by the state
9 demographer and Metropolitan Council as of July \pm 15 of the aid
10 calculation year. A revision to an estimate or enumeration is
11 effective for these purposes only if it is certified to the
12 commissioner on or before July 15 of the aid calculation year.
13 Clerical errors in the certification or use of estimates and
14 counts established as of July 15 in the aid calculation year are
15 subject to correction within the time periods allowed under
16 section 477A.014.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 Sec. 51. Minnesota Statutes 2004, section 477A.0124,
20 subdivision 2, is amended to read:

21 Subd. 2. [DEFINITIONS.] (a) For the purposes of this
22 section, the following terms have the meanings given them.

23 (b) "County program aid" means the sum of "county need aid,"
24 "county tax base equalization aid," and "county transition aid."

25 (c) "Age-adjusted population" means a county's population
26 multiplied by the county age index.

27 (d) "County age index" means the percentage of the
28 population over age 65 within the county divided by the
29 percentage of the population over age 65 within the state,
30 except that the age index for any county may not be greater than
31 1.8 nor less than 0.8.

32 (e) "Population over age 65" means the population over age
33 65 established as of July \pm 15 in an aid calculation year by the
34 most recent federal census, by a special census conducted under
35 contract with the United States Bureau of the Census, by a
36 population estimate made by the Metropolitan Council, or by a

1 population estimate of the state demographer made pursuant to
2 section 4A.02, whichever is the most recent as to the stated
3 date of the count or estimate for the preceding calendar
4 year and which has been certified to the commissioner of revenue
5 on or before July 15 of the aid calculation year. A revision to
6 an estimate or count is effective for these purposes only if
7 certified to the commissioner on or before July 15 of the aid
8 calculation year. Clerical errors in the certification or use
9 of estimates and counts established as of July 15 in the aid
10 calculation year are subject to correction within the time
11 periods allowed under section 477A.014.

12 (f) "Part I crimes" means the three-year average annual
13 number of Part I crimes reported for each county by the
14 Department of Public Safety for the most recent years available.
15 By July 1 of each year, the commissioner of public safety shall
16 certify to the commissioner of revenue the number of Part I
17 crimes reported for each county for the three most recent
18 calendar years available.

19 (g) "Households receiving food stamps" means the average
20 monthly number of households receiving food stamps for the three
21 most recent years for which data is available. By July 1 of
22 each year, the commissioner of human services must certify to
23 the commissioner of revenue the average monthly number of
24 households in the state and in each county that receive food
25 stamps, for the three most recent calendar years available.

26 (h) "County net tax capacity" means the net tax capacity of
27 the county, computed analogously to city net tax capacity under
28 section 477A.011, subdivision 20.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 52. Laws 2003, chapter 127, article 5, section 27,
32 the effective date, is amended to read:

33 [EFFECTIVE DATE.] This section is effective for taxes
34 payable-in-2004-and-thereafter distributions occurring on or
35 after June 10, 2003.

36 Sec. 53. Laws 2003, chapter 127, article 5, section 28,

1 the effective date, is amended to read:

2 [EFFECTIVE DATE.] This section is effective for taxes
3 ~~payable-in-2004-and-thereafter~~ distributions occurring on or
4 after June 10, 2003.

5 Sec. 54. Laws 2003, First Special Session chapter 21,
6 article 5, section 13, is amended to read:

7 Sec. 13. [2004 CITY AID REDUCTIONS.]

8 The commissioner of revenue shall compute an aid reduction
9 amount for 2004 for each city as provided in this section.

10 The initial aid reduction amount for each city is the
11 amount by which the city's aid distribution under Minnesota
12 Statutes, section 477A.013, and related provisions payable in
13 2003 exceeds the city's 2004 distribution under those provisions.

14 The minimum aid reduction amount for a city is the amount
15 of its reduction in 2003 under section 12. If a city receives
16 an increase to its city aid base under Minnesota Statutes,
17 section 477A.011, subdivision 36, its minimum aid reduction is
18 reduced by an equal amount.

19 The maximum aid reduction amount for a city is an amount
20 equal to 14 percent of the city's total 2004 levy plus aid
21 revenue base, except that if the city has a city net tax
22 capacity for aids payable in 2004, as defined in Minnesota
23 Statutes, section 477A.011, subdivision 20, of \$700 per capita
24 or less, the maximum aid reduction shall not exceed an amount
25 equal to 13 percent of the city's total 2004 levy plus aid
26 revenue base.

27 If the initial aid reduction amount for a city is less than
28 the minimum aid reduction amount for that city, the final aid
29 reduction amount for the city is the sum of the initial aid
30 reduction amount and the lesser of the amount of the city's
31 payable 2004 reimbursement under Minnesota Statutes, section
32 273.1384, or the difference between the minimum and initial aid
33 reduction amounts for the city, and the amount of the final aid
34 reduction in excess of the initial aid reduction is deducted
35 from the city's reimbursements pursuant to Minnesota Statutes,
36 section 273.1384.

1 If the initial aid reduction amount for a city is greater
2 than the maximum aid reduction amount for the city, the city
3 receives an additional distribution under this section equal to
4 the result of subtracting the maximum aid reduction amount from
5 the initial aid reduction amount. This distribution shall be
6 paid in equal installments in 2004 on the dates specified in
7 Minnesota Statutes, section 477A.015. The amount necessary for
8 these additional distributions is appropriated to the
9 commissioner of revenue from the general fund in fiscal year
10 2005.

11 ~~The initial aid reduction is applied to the city's~~
12 ~~distribution pursuant to Minnesota Statutes, section 477A.013,~~
13 ~~and any aid reduction in excess of the initial aid reduction is~~
14 ~~applied to the city's reimbursements pursuant to Minnesota~~
15 ~~Statutes, section 273.1384.~~

16 To the extent that sufficient information is available on
17 each payment date in 2004, the commissioner of revenue shall pay
18 the reimbursements reduced under this section in equal
19 installments on the payment dates provided in law.

20 **[EFFECTIVE DATE.]** This section is effective for aids
21 payable in 2004.

22 Sec. 55. Laws 2003, First Special Session chapter 21,
23 article 6, section 9, is amended to read:

24 Sec. 9. [DEFINITIONS.]

25 (a) For purposes of sections 9 to 15, the following terms
26 have the meanings given them in this section.

27 (b) The 2003 and 2004 "levy plus aid revenue base" for a
28 county is the sum of that county's certified property tax levy
29 for taxes payable in 2003, plus the sum of the amounts the
30 county was certified to receive in the designated calendar year
31 as:

32 (1) homestead and agricultural credit aid under Minnesota
33 Statutes, section 273.1398, subdivision 2, plus any additional
34 aid under section 16, minus the amount calculated under section
35 273.1398, subdivision 4a, paragraph (b), for counties in
36 judicial districts one, three, six, and ten, and 25 percent of

1 the amount calculated under section 273.1398, subdivision 4a,
2 paragraph (b), for counties in judicial districts two and four;

3 (2) the amount of county manufactured home homestead and
4 agricultural credit aid computed for the county for payment in
5 2003 under section 273.166;

6 (3) criminal justice aid under Minnesota Statutes, section
7 477A.0121;

8 (4) family preservation aid under Minnesota Statutes,
9 section 477A.0122;

10 (5) taconite aids under Minnesota Statutes, sections 298.28
11 and 298.282, including any aid which was required to be placed
12 in a special fund for expenditure in the next succeeding year;
13 and

14 (6) county program aid under section 477A.0124, exclusive
15 of the attached machinery aid component.

16 [EFFECTIVE DATE.] This section is effective for aids
17 payable in 2004.

18 Sec. 56. [LINCOLN AND PIPESTONE COUNTIES; TOWN LEVY
19 ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX.]

20 Notwithstanding the deadlines in Minnesota Statutes,
21 section 275.07, towns located in Lincoln or Pipestone County are
22 authorized to adjust their payable 2004 levy for all or a
23 portion of their estimated wind energy production tax amounts
24 for 2004, as computed by the commissioner of revenue from
25 reports filed under Minnesota Statutes, section 272.029,
26 subdivision 4. The Lincoln and Pipestone County auditors may
27 adjust the payable 2004 levy certifications under Minnesota
28 Statutes, section 275.07, subdivision 1, based upon the towns
29 that have recertified their levies under this section by March
30 15, 2004.

31 [EFFECTIVE DATE.] This section is effective for taxes
32 payable in 2004.

33 Sec. 57. [REPEALER.]

34 (a) Minnesota Statutes 2004, sections 273.19, subdivision
35 5; 274.05; 275.15; 275.61, subdivision 2; and 283.07, are
36 repealed effective the day following final enactment.

1 [EFFECTIVE DATE.] This section is effective for purchaser
2 refund claims filed on or after July 1, 2005.

3 Sec. 3. Minnesota Statutes 2004, section 289A.40,
4 subdivision 2, is amended to read:

5 Subd. 2. [BAD DEBT LOSS.] If a claim relates to an
6 overpayment because of a failure to deduct a loss due to a bad
7 debt or to a security becoming worthless, the claim is
8 considered timely if filed within seven years from the date
9 prescribed for the filing of the return. A claim relating to an
10 overpayment of taxes under chapter 297A must be filed within
11 3-1/2 years from the date prescribed for filing the return, plus
12 any extensions granted for filing the return, but only if filed
13 within the extended time. The refund or credit is limited to
14 the amount of overpayment attributable to the loss. "Bad debt"
15 for purposes of this subdivision, has the same meaning as that
16 term is used in United States Code, title 26, section 166,
17 except that for a claim relating to an overpayment of taxes
18 under chapter 297A the following are excluded from the
19 calculation of bad debt: financing charges or interest; sales
20 or use taxes charged on the purchase price; uncollectible
21 amounts on property that remain in the possession of the seller
22 until the full purchase price is paid; expenses incurred in
23 attempting to collect any debt; and repossessed property.

24 [EFFECTIVE DATE.] For claims relating to an overpayment of
25 taxes under chapter 297A, this section is effective for sales
26 and purchases made on or after January 1, 2004; for all other
27 bad debts or claims, this section is effective on or after July
28 1, 2003.

29 Sec. 4. Minnesota Statutes 2004, section 289A.40, is
30 amended by adding a subdivision to read:

31 Subd. 4. [PURCHASER FILED REFUND CLAIMS.] A claim for
32 refund of taxes paid on a transaction not subject to tax under
33 chapter 297A, where the purchaser may apply directly to the
34 commissioner under section 289A.50, subdivision 2a, must be
35 filed within 3-1/2 years from the 20th day of the month
36 following the month of the invoice date for the purchase.

1 [EFFECTIVE DATE.] This section is effective for claims
2 filed on or after the day following final enactment.

3 Sec. 5. Minnesota Statutes 2004, section 289A.40, is
4 amended by adding a subdivision to read:

5 Subd. 5. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for
6 refund for taxes paid under chapter 297A on capital equipment
7 must be filed within 3-1/2 years from the 20th day of the month
8 following the month of the invoice date for the purchase of the
9 capital equipment. A claim for refund for taxes imposed on
10 capital equipment under section 297A.63 must be filed within
11 3-1/2 years from the date prescribed for filing the return, or
12 one year from the date of an order assessing tax under section
13 289A.37, subdivision 1, upon payment in full of the tax,
14 penalties, and interest shown on the order, whichever period
15 expires later.

16 [EFFECTIVE DATE.] This section is effective for claims
17 filed on or after the day following final enactment.

18 Sec. 6. Minnesota Statutes 2004, section 297A.61,
19 subdivision 3, is amended to read:

20 Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase"
21 include, but are not limited to, each of the transactions listed
22 in this subdivision.

23 (b) Sale and purchase include:

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

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

32 (c) Sale and purchase include the production, fabrication,
33 printing, or processing of tangible personal property for a
34 consideration for consumers who furnish either directly or
35 indirectly the materials used in the production, fabrication,
36 printing, or processing.

1 (d) Sale and purchase include the preparing for a
2 consideration of food. Notwithstanding section 297A.67,
3 subdivision 2, taxable food includes, but is not limited to, the
4 following:

- 5 (1) prepared food sold by the retailer;
- 6 (2) soft drinks;
- 7 (3) candy; and
- 8 (4) dietary supplements; and
- 9 (5) all food sold through vending machines.

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

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

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

18 (1) the privilege of admission to places of amusement,
19 recreational areas, or athletic events, and the making available
20 of amusement devices, tanning facilities, reducing salons, steam
21 baths, turkish baths, health clubs, and spas or athletic
22 facilities;

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

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

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

34 (i) the club, association, or other organization makes
35 available for the use of its members sports and athletic
36 facilities, without regard to whether a separate charge is

1 assessed for use of the facilities; and
2 (ii) use of the sports and athletic facility is not made
3 available to the general public on the same basis as it is made
4 available to members.

5 Granting of membership means both onetime initiation fees and
6 periodic membership dues. Sports and athletic facilities
7 include golf courses; tennis, racquetball, handball, and squash
8 courts; basketball and volleyball facilities; running tracks;
9 exercise equipment; swimming pools; and other similar athletic
10 or sports facilities;

11 (5) delivery of aggregate materials and concrete block by a
12 third party if the delivery would be subject to the sales tax if
13 provided by the seller of the aggregate material or concrete
14 block; and

15 (6) services as provided in this clause:

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

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

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

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

36 (v) pet grooming services;

1 (vi) lawn care, fertilizing, mowing, spraying and sprigging
2 services; garden planting and maintenance; tree, bush, and shrub
3 pruning, bracing, spraying, and surgery; indoor plant care;
4 tree, bush, shrub, and stump removal; and tree trimming for
5 public utility lines. Services performed under a construction
6 contract for the installation of shrubbery, plants, sod, trees,
7 bushes, and similar items are not taxable;

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

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

15 In applying the provisions of this chapter, the terms
16 "tangible personal property" and "sales at retail" include
17 taxable services listed in clause (6), items (i) to (vi) and
18 (viii), and the provision of these taxable services, unless
19 specifically provided otherwise. Services performed by an
20 employee for an employer are not taxable. Services performed by
21 a partnership or association for another partnership or
22 association are not taxable if one of the entities owns or
23 controls more than 80 percent of the voting power of the equity
24 interest in the other entity. Services performed between
25 members of an affiliated group of corporations are not taxable.
26 For purposes of the preceding sentence, "affiliated group of
27 corporations" includes those entities that would be classified
28 as members of an affiliated group under United States Code,
29 title 26, section 1504, and that are eligible to file a
30 consolidated tax return for federal income tax purposes.

31 (h) A sale and a purchase includes the furnishing for a
32 consideration of tangible personal property or taxable services
33 by the United States or any of its agencies or
34 instrumentalities, or the state of Minnesota, its agencies,
35 instrumentalities, or political subdivisions.

36 (i) A sale and a purchase includes the furnishing for a

1 consideration of telecommunications services, including cable
2 television services and direct satellite services.
3 Telecommunications services are taxed to the extent allowed
4 under federal law.

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

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

14 [EFFECTIVE DATE.] This section is effective the day
15 following final enactment.

16 Sec. 7. Minnesota Statutes 2004, section 297A.61,
17 subdivision 4, is amended to read:

18 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
19 sale, lease, or rental for any purpose, other than resale,
20 sublease, or subrent of items by the purchaser in the normal
21 course of business as defined in subdivision 21.

22 (b) A sale of property used by the owner only by leasing it
23 to others or by holding it in an effort to lease it, and put to
24 no use by the owner other than resale after the lease or effort
25 to lease, is a sale of property for resale.

26 (c) A sale of master computer software that is purchased
27 and used to make copies for sale or lease is a sale of property
28 for resale.

29 (d) A sale of building materials, supplies, and equipment
30 to owners, contractors, subcontractors, or builders for the
31 erection of buildings or the alteration, repair, or improvement
32 of real property is a retail sale in whatever quantity sold,
33 whether the sale is for purposes of resale in the form of real
34 property or otherwise.

35 (e) A sale of carpeting, linoleum, or similar floor
36 covering to a person who provides for installation of the floor

1 covering is a retail sale and not a sale for resale since a sale
2 of floor covering which includes installation is a contract for
3 the improvement of real property.

4 (f) A sale of shrubbery, plants, sod, trees, and similar
5 items to a person who provides for installation of the items is
6 a retail sale and not a sale for resale since a sale of
7 shrubbery, plants, sod, trees, and similar items that includes
8 installation is a contract for the improvement of real property.

9 (g) A sale of tangible personal property that is awarded as
10 prizes is a retail sale and is not considered a sale of property
11 for resale.

12 (h) A sale of tangible personal property utilized or
13 employed in the furnishing or providing of services under
14 subdivision 3, paragraph (g), clause (1), including, but not
15 limited to, property given as promotional items, is a retail
16 sale and is not considered a sale of property for resale.

17 (i) A sale of tangible personal property used in conducting
18 lawful gambling under chapter 349 or the state lottery under
19 chapter 349A, including, but not limited to, property given as
20 promotional items, is a retail sale and is not considered a sale
21 of property for resale.

22 (j) A sale of machines, equipment, or devices that are used
23 to furnish, provide, or dispense goods or services, including,
24 but not limited to, coin-operated devices, is a retail sale and
25 is not considered a sale of property for resale.

26 (k) In the case of a lease, a retail sale occurs when an
27 obligation to make a lease payment becomes due under the terms
28 of the agreement or the trade practices of the lessor.

29 (l) In the case of a conditional sales contract, a retail
30 sale occurs upon the transfer of title or possession of the
31 tangible personal property.

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment.

34 Sec. 8. Minnesota Statutes 2004, section 297A.64,
35 subdivision 4, is amended to read:

36 Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by

1 this section do not apply to a lease or rental of (1) a vehicle
2 to be used by the lessee to provide a licensed taxi service; (2)
3 a hearse or limousine used in connection with a burial or
4 funeral service; or (3) a van designed or adapted primarily for
5 transporting property rather than passengers. The tax and the
6 fee imposed under this section do not apply when the lease or
7 rental of a vehicle is exempt from the tax imposed under section
8 297A.62, subdivision 1.

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

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 9. Minnesota Statutes 2004, section 297A.668,
18 subdivision 1, is amended to read:

19 Subdivision 1. [APPLICABILITY.] The provisions of this
20 section apply regardless of the characterization of a product as
21 tangible personal property, a digital good, or a service; but do
22 not apply to telecommunications services, or the sales of motor
23 vehicles, ~~watercraft, aircraft, modular homes, manufactured~~
24 ~~homes, or mobile homes.~~ These provisions only apply to
25 determine a seller's obligation to pay or collect and remit a
26 sales or use tax with respect to the seller's sale of a
27 product. These provisions do not affect the obligation of a
28 seller as purchaser to remit tax on the use of the product.

29 [EFFECTIVE DATE.] This section is effective the day
30 following final enactment.

31 Sec. 10. Minnesota Statutes 2004, section 297A.668,
32 subdivision 5, is amended to read:

33 Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale,
34 including lease or rental, of transportation equipment shall be
35 sourced the same as a retail sale in accordance with the
36 provisions of subdivision 2, notwithstanding the exclusion of

1 lease or rental in subdivision 2.

2 (b) "Transportation equipment" means any of the following:

3 (1) locomotives and railcars that are utilized for the
4 carriage of persons or property in interstate commerce; and/or

5 (2) trucks and truck-tractors with a gross vehicle weight
6 rating (GVWR) of 10,001 pounds or greater, trailers,
7 semitrailers, or passenger buses that are:

8 (i) registered through the international registration plan;
9 and

10 (ii) operated under authority of a carrier authorized and
11 certified by the United States Department of Transportation or
12 another federal authority to engage in the carriage of persons
13 or property in interstate commerce;

14 (3) aircraft that are operated by air carriers authorized
15 and certificated by the United States Department of
16 Transportation or another federal or a foreign authority to
17 engage in the carriage of persons or property in interstate
18 commerce; or

19 (4) containers designed for use on and component parts
20 attached or secured on the transportation equipment described in
21 items (1) through (3).

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

24 Sec. 11. Minnesota Statutes 2004, section 297A.67,
25 subdivision 2, is amended to read:

26 Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise
27 provided in this subdivision, food and food ingredients are
28 exempt. For purposes of this subdivision, "food" and "food
29 ingredients" mean substances, whether in liquid, concentrated,
30 solid, frozen, dried, or dehydrated form, that are sold for
31 ingestion or chewing by humans and are consumed for their taste
32 or nutritional value. Food and food ingredients exempt under
33 this subdivision do not include candy, soft drinks, food sold
34 through vending machines, dietary supplements, and prepared
35 foods. Food and food ingredients do not include alcoholic
36 beverages, dietary supplements, and tobacco. For purposes of

1 this subdivision, "alcoholic beverages" means beverages that are
2 suitable for human consumption and contain one-half of one
3 percent or more of alcohol by volume. For purposes of this
4 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe
5 tobacco, or any other item that contains tobacco. For purposes
6 of this subdivision, "dietary supplements" means any product,
7 other than tobacco, intended to supplement the diet that:

8 (1) contains one or more of the following dietary
9 ingredients:

10 (i) a vitamin;

11 (ii) a mineral;

12 (iii) an herb or other botanical;

13 (iv) an amino acid;

14 (v) a dietary substance for use by humans to supplement the
15 diet by increasing the total dietary intake; and

16 (vi) a concentrate, metabolite, constituent, extract, or
17 combination of any ingredient described in items (i) to (v);

18 (2) is intended for ingestion in tablet, capsule, powder,
19 softgel, gelcap, or liquid form, or if not intended for
20 ingestion in such form, is not represented as conventional food
21 and is not represented for use as a sole item of a meal or of
22 the diet; and

23 (3) is required to be labeled as a dietary supplement,
24 identifiable by the supplement facts box found on the label and
25 as required pursuant to Code of Federal Regulations, title 21,
26 section 101.36.

27 [EFFECTIVE DATE.] This section is effective for sales made
28 on or after the day following final enactment.

29 Sec. 12. Minnesota Statutes 2004, section 297A.68,
30 subdivision 2, is amended to read:

31 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

32 (a) Materials stored, used, or consumed in industrial production
33 of personal property intended to be sold ultimately at retail
34 are exempt, whether or not the item so used becomes an
35 ingredient or constituent part of the property produced.

36 Materials that qualify for this exemption include, but are not

1 limited to, the following:

2 (1) chemicals, including chemicals used for cleaning food
3 processing machinery and equipment;

4 (2) materials, including chemicals, fuels, and electricity
5 purchased by persons engaged in industrial production to treat
6 waste generated as a result of the production process;

7 (3) fuels, electricity, gas, and steam used or consumed in
8 the production process, except that electricity, gas, or steam
9 used for space heating, cooling, or lighting is exempt if (i) it
10 is in excess of the average climate control or lighting for the
11 production area, and (ii) it is necessary to produce that
12 particular product;

13 (4) petroleum products and lubricants;

14 (5) packaging materials, including returnable containers
15 used in packaging food and beverage products;

16 (6) accessory tools, equipment, and other items that are
17 separate detachable units with an ordinary useful life of less
18 than 12 months used in producing a direct effect upon the
19 product; and

20 (7) the following materials, tools, and equipment used in
21 metalcasting: crucibles, thermocouple protection sheaths and
22 tubes, stalk tubes, refractory materials, molten metal filters
23 and filter boxes, degassing lances, and base blocks.

24 (b) This exemption does not include:

25 (1) machinery, equipment, implements, tools, accessories,
26 appliances, contrivances and furniture and fixtures, except
27 those listed in paragraph (a), clause (6); and

28 (2) petroleum and special fuels used in producing or
29 generating power for propelling ready-mixed concrete trucks on
30 the public highways of this state.

31 (c) Industrial production includes, but is not limited to,
32 research, development, design or production of any tangible
33 personal property, manufacturing, processing (other than by
34 restaurants and consumers) of agricultural products (whether
35 vegetable or animal), commercial fishing, refining, smelting,
36 reducing, brewing, distilling, printing, mining, quarrying,

1 lumbering, generating electricity, the production of road
2 building materials, and the research, development, design, or
3 production of computer software. Industrial production does not
4 include painting, cleaning, repairing or similar processing of
5 property except as part of the original manufacturing process.
6 Industrial production does not include the furnishing of
7 services listed in section 297A.61, subdivision 3, paragraph
8 (g), clause (6), items (i) to (vi) and (viii).

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 13. Minnesota Statutes 2004, section 297A.68,
12 subdivision 5, is amended to read:

13 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
14 exempt. The tax must be imposed and collected as if the rate
15 under section 297A.62, subdivision 1, applied, and then refunded
16 in the manner provided in section 297A.75.

17 "Capital equipment" means machinery and equipment purchased
18 or leased, and used in this state by the purchaser or lessee
19 primarily for manufacturing, fabricating, mining, or refining
20 tangible personal property to be sold ultimately at retail if
21 the machinery and equipment are essential to the integrated
22 production process of manufacturing, fabricating, mining, or
23 refining. Capital equipment also includes machinery and
24 equipment used primarily to electronically transmit results
25 retrieved by a customer of an on-line computerized data
26 retrieval system.

27 (b) Capital equipment includes, but is not limited to:

28 (1) machinery and equipment used to operate, control, or
29 regulate the production equipment;

30 (2) machinery and equipment used for research and
31 development, design, quality control, and testing activities;

32 (3) environmental control devices that are used to maintain
33 conditions such as temperature, humidity, light, or air pressure
34 when those conditions are essential to and are part of the
35 production process;

36 (4) materials and supplies used to construct and install

1 machinery or equipment;

2 (5) repair and replacement parts, including accessories,
3 whether purchased as spare parts, repair parts, or as upgrades
4 or modifications to machinery or equipment;

5 (6) materials used for foundations that support machinery
6 or equipment;

7 (7) materials used to construct and install special purpose
8 buildings used in the production process;

9 (8) ready-mixed concrete equipment in which the ready-mixed
10 concrete is mixed as part of the delivery process regardless if
11 mounted on a chassis, repair parts for ready-mixed concrete
12 trucks, and leases of ready-mixed concrete trucks; and

13 (9) machinery or equipment used for research, development,
14 design, or production of computer software.

15 (c) Capital equipment does not include the following:

16 (1) motor vehicles taxed under chapter 297B;

17 (2) machinery or equipment used to receive or store raw
18 materials;

19 (3) building materials, except for materials included in
20 paragraph (b), clauses (6) and (7);

21 (4) machinery or equipment used for nonproduction purposes,
22 including, but not limited to, the following: plant security,
23 fire prevention, first aid, and hospital stations; support
24 operations or administration; pollution control; and plant
25 cleaning, disposal of scrap and waste, plant communications,
26 space heating, cooling, lighting, or safety;

27 (5) farm machinery and aquaculture production equipment as
28 defined by section 297A.61, subdivisions 12 and 13;

29 (6) machinery or equipment purchased and installed by a
30 contractor as part of an improvement to real property; or

31 (7) machinery and equipment used by restaurants in the
32 furnishing, preparing, or serving of prepared foods as defined
33 in section 297A.61, subdivision 31;

34 (8) machinery and equipment used to furnish the services
35 listed in section 297A.61, subdivision 3, paragraph (g), clause
36 (6), items (i) to (vi) and (viii); or

1 (9) any other item that is not essential to the integrated
2 process of manufacturing, fabricating, mining, or refining.

3 (d) For purposes of this subdivision:

4 (1) "Equipment" means independent devices or tools separate
5 from machinery but essential to an integrated production
6 process, including computers and computer software, used in
7 operating, controlling, or regulating machinery and equipment;
8 and any subunit or assembly comprising a component of any
9 machinery or accessory or attachment parts of machinery, such as
10 tools, dies, jigs, patterns, and molds.

11 (2) "Fabricating" means to make, build, create, produce, or
12 assemble components or property to work in a new or different
13 manner.

14 (3) "Integrated production process" means a process or
15 series of operations through which tangible personal property is
16 manufactured, fabricated, mined, or refined. For purposes of
17 this clause, (i) manufacturing begins with the removal of raw
18 materials from inventory and ends when the last process prior to
19 loading for shipment has been completed; (ii) fabricating begins
20 with the removal from storage or inventory of the property to be
21 assembled, processed, altered, or modified and ends with the
22 creation or production of the new or changed product; (iii)
23 mining begins with the removal of overburden from the site of
24 the ores, minerals, stone, peat deposit, or surface materials
25 and ends when the last process before stockpiling is completed;
26 and (iv) refining begins with the removal from inventory or
27 storage of a natural resource and ends with the conversion of
28 the item to its completed form.

29 (4) "Machinery" means mechanical, electronic, or electrical
30 devices, including computers and computer software, that are
31 purchased or constructed to be used for the activities set forth
32 in paragraph (a), beginning with the removal of raw materials
33 from inventory through completion of the product, including
34 packaging of the product.

35 (5) "Machinery and equipment used for pollution control"
36 means machinery and equipment used solely to eliminate, prevent,

1 or reduce pollution resulting from an activity described in
2 paragraph (a).

3 (6) "Manufacturing" means an operation or series of
4 operations where raw materials are changed in form, composition,
5 or condition by machinery and equipment and which results in the
6 production of a new article of tangible personal property. For
7 purposes of this subdivision, "manufacturing" includes the
8 generation of electricity or steam to be sold at retail.

9 (7) "Mining" means the extraction of minerals, ores, stone,
10 or peat.

11 (8) "On-line data retrieval system" means a system whose
12 cumulation of information is equally available and accessible to
13 all its customers.

14 (9) "Primarily" means machinery and equipment used 50
15 percent or more of the time in an activity described in
16 paragraph (a).

17 (10) "Refining" means the process of converting a natural
18 resource to an intermediate or finished product, including the
19 treatment of water to be sold at retail.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 14. Minnesota Statutes 2004, section 297A.68,
23 subdivision 35, is amended to read:

24 Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a)
25 Telecommunications machinery and equipment purchased or leased
26 for use directly by a telecommunications service provider
27 primarily in the provision of telecommunications services that
28 are ultimately to be sold at retail are exempt, regardless of
29 whether purchased by the owner, a contractor, or a subcontractor.

30 (b) For purposes of this subdivision, "telecommunications
31 machinery and equipment" includes, but is not limited to:

32 (1) machinery, equipment, and fixtures utilized in
33 receiving, initiating, amplifying, processing, transmitting,
34 retransmitting, recording, switching, or monitoring
35 telecommunications services, such as computers, transformers,
36 amplifiers, routers, bridges, repeaters, multiplexers, and other

1 items performing comparable functions;

2 (2) machinery, equipment, and fixtures used in the
3 transportation of telecommunications services, radio
4 transmitters and receivers, satellite equipment, microwave
5 equipment, and other transporting media, but not wire, cable,
6 fiber, poles, or conduit;

7 (3) ancillary machinery, equipment, and fixtures that
8 regulate, control, protect, or enable the machinery in clauses
9 (1) and (2) to accomplish its intended function, such as
10 auxiliary power supply, test equipment, towers, heating,
11 ventilating, and air conditioning equipment necessary to the
12 operation of the telecommunications equipment; and software
13 necessary to the operation of the telecommunications equipment;
14 and

15 (4) repair and replacement parts, including accessories,
16 whether purchased as spare parts, repair parts, or as upgrades
17 or modifications to qualified machinery or equipment.

18 (c) For purposes of this subdivision, "telecommunications
19 services" means telecommunications services as defined in
20 section 297A.61, subdivision 24, ~~paragraph~~ paragraphs (a), ~~only~~
21 (c), and (d).

22 [EFFECTIVE DATE.] This section is effective the day
23 following final enactment.

24 Sec. 15. Minnesota Statutes 2004, section 297A.68,
25 subdivision 39, is amended to read:

26 Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of
27 tangible personal property or services is exempt from tax or a
28 tax rate increase for a period of six months from the effective
29 date of the law change that results in the imposition of the tax
30 or the tax rate increase under this chapter if:

31 (1) the act imposing the tax or increasing the tax rate
32 does not have transitional effective date language for existing
33 construction contracts and construction bids; and

34 (2) the requirements of paragraph (b) are met.

35 (b) A sale is tax exempt under paragraph (a) if it meets
36 the requirements of either clause (1) or (2):

1 (1) For a construction contract:

2 (i) the goods or services sold must be used for the
3 performance of a bona fide written lump sum or fixed price
4 construction contract;

5 (ii) the contract must be entered into before the date the
6 goods or services become subject to the sales tax or the tax
7 rate was increased;

8 (iii) the contract must not provide for allocation of
9 future taxes; and

10 (iv) for each qualifying contract the contractor must give
11 the seller documentation of the contract on which an exemption
12 is to be claimed.

13 (2) For a construction bid:

14 (i) the goods or services sold must be used pursuant to an
15 obligation of a bid or bids;

16 (ii) the bid or bids must be submitted and accepted before
17 the date the goods or services became subject to the sales
18 tax or the tax rate was increased;

19 (iii) the bid or bids must not be able to be withdrawn,
20 modified, or changed without forfeiting a bond; and

21 (iv) for each qualifying bid, the contractor must give the
22 seller documentation of the bid on which an exemption is to be
23 claimed.

24 **[EFFECTIVE DATE.]** This section is effective the day
25 following final enactment.

26 Sec. 16. Minnesota Statutes 2004, section 297A.99,
27 subdivision 4, is amended to read:

28 Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable
29 under this chapter that occur within the political subdivision.

30 (b) Taxable goods or services are subject to a political
31 subdivision's sales tax, if they are performed-either:

32 ~~(1)-within-the-political-subdivision,-or~~

33 ~~(2)-partly-within-and-partly-without-the-political~~

34 ~~subdivision-and-more-of-the-service-is-performed-within-the~~

35 ~~political-subdivision,-based-on-the-cost-of-performance~~ sourced

36 to the political subdivision pursuant to section 297A.668.

1 (b) A mortgage given to correct a misdescription of the
2 mortgaged property.

3 (c) A mortgage or other instrument that adds additional
4 security for the same debt for which mortgage registry tax has
5 been paid.

6 (d) A contract for the conveyance of any interest in real
7 property, including a contract for deed.

8 (e) A mortgage secured by real property subject to the
9 minerals production tax of sections 298.24 to 298.28.

10 (f) The principal amount of a mortgage loan made under a
11 low and moderate income or other affordable housing program, if
12 the mortgagee is a federal, state, or local government agency.

13 (g) Mortgages granted by fraternal benefit societies
14 subject to section 64B.24.

15 (h) A mortgage amendment or extension, as defined in
16 section 287.01.

17 (i) An agricultural mortgage if the proceeds of the loan
18 secured by the mortgage are used to acquire or improve real
19 property classified under section 273.13, subdivision 23,
20 paragraph (a), or (b), clause (1), (2), or (3).

21 (j) A mortgage on an armory building as set forth in
22 section 193.147.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 2. Minnesota Statutes 2004, section 295.50, is
26 amended by adding a subdivision to read:

27 Subd. 1a. [BLOOD COMPONENTS.] "Blood components" means the
28 parts of the blood that are separated from blood by physical or
29 mechanical means and are intended for transfusion. Blood
30 components do not include blood derivatives.

31 [EFFECTIVE DATE.] This section is effective for gross
32 revenues received after December 31, 2004.

33 Sec. 3. Minnesota Statutes 2004, section 295.50,
34 subdivision 3, is amended to read:

35 Subd. 3. [GROSS REVENUES.] "Gross revenues" are total
36 amounts received in money or otherwise by:

- 1 (1) a hospital for patient services;
- 2 (2) a surgical center for patient services;
- 3 (3) a health care provider, other than a staff model health
4 carrier, for patient services;
- 5 (4) a wholesale drug distributor for sale or distribution
6 of legend drugs that are delivered in Minnesota by the wholesale
7 drug distributor, by common carrier, or by mail, unless the
8 legend drugs are delivered to another wholesale drug distributor
9 who sells legend drugs exclusively at wholesale. Legend drugs
10 do not include nutritional products as defined in Minnesota
11 Rules, part 9505.0325, and blood and blood components; and
- 12 (5) a staff model health plan company as gross premiums for
13 enrollees, co-payments, deductibles, coinsurance, and fees for
14 patient services.

15 [EFFECTIVE DATE.] This section is effective for gross
16 revenues received after December 31, 2004.

17 Sec. 4. Minnesota Statutes 2004, section 295.53,
18 subdivision 1, is amended to read:

19 Subdivision 1. [EXEMPTIONS.] (a) The following payments
20 are excluded from the gross revenues subject to the hospital,
21 surgical center, or health care provider taxes under sections
22 295.50 to 295.59:

- 23 (1) payments received for services provided under the
24 Medicare program, including payments received from the
25 government, and organizations governed by sections 1833 and 1876
26 of title XVIII of the federal Social Security Act, United States
27 Code, title 42, section 1395, and enrollee deductibles,
28 coinsurance, and co-payments, whether paid by the Medicare
29 enrollee or by a Medicare supplemental coverage as defined in
30 section 62A.011, subdivision 3, clause (10), or by Medicaid
31 payments under title XIX of the federal Social Security Act.
32 Payments for services not covered by Medicare are taxable;
- 33 (2) payments received for home health care services;
- 34 (3) payments received from hospitals or surgical centers
35 for goods and services on which liability for tax is imposed
36 under section 295.52 or the source of funds for the payment is

1 exempt under clause (1), (7), (10), or (14);

2 (4) payments received from health care providers for goods
3 and services on which liability for tax is imposed under this
4 chapter or the source of funds for the payment is exempt under
5 clause (1), (7), (10), or (14);

6 (5) amounts paid for legend drugs, other than nutritional
7 products and blood and blood components, to a wholesale drug
8 distributor who is subject to tax under section 295.52,
9 subdivision 3, reduced by reimbursements received for legend
10 drugs otherwise exempt under this chapter;

11 (6) payments received by a health care provider or the
12 wholly owned subsidiary of a health care provider for care
13 provided outside Minnesota;

14 (7) payments received from the chemical dependency fund
15 under chapter 254B;

16 (8) payments received in the nature of charitable donations
17 that are not designated for providing patient services to a
18 specific individual or group;

19 (9) payments received for providing patient services
20 incurred through a formal program of health care research
21 conducted in conformity with federal regulations governing
22 research on human subjects. Payments received from patients or
23 from other persons paying on behalf of the patients are subject
24 to tax;

25 (10) payments received from any governmental agency for
26 services benefiting the public, not including payments made by
27 the government in its capacity as an employer or insurer or
28 payments made by the government for services provided under
29 general assistance medical care, the MinnesotaCare program, or
30 the medical assistance program governed by title XIX of the
31 federal Social Security Act, United States Code, title 42,
32 sections 1396 to 1396v;

33 (11) government payments received by the commissioner of
34 human services for state-operated services;

35 (12) payments received by a health care provider for
36 hearing aids and related equipment or prescription eyewear

1 delivered outside of Minnesota;

2 (13) payments received by an educational institution from
3 student tuition, student activity fees, health care service
4 fees, government appropriations, donations, or grants, and for
5 services identified in and provided under an individualized
6 education plan as defined in section 256B.0625 or Code of
7 Federal Regulations, chapter 34, section 300.340(a). Fee for
8 service payments and payments for extended coverage are taxable;
9 and

10 (14) payments received under the federal Employees Health
11 Benefits Act, United States Code, title 5, section 8909(f), as
12 amended by the Omnibus Reconciliation Act of 1990. Enrollee
13 deductibles, coinsurance, and co-payments are subject to tax.

14 (b) Payments received by wholesale drug distributors for
15 legend drugs sold directly to veterinarians or veterinary bulk
16 purchasing organizations are excluded from the gross revenues
17 subject to the wholesale drug distributor tax under sections
18 295.50 to 295.59.

19 [EFFECTIVE DATE.] The change made to paragraph (a), clause
20 (5), of this section is effective for amounts paid for blood and
21 blood components after December 31, 2004. The change made to
22 paragraph (a), clause (14), of this section is effective for
23 enrollee deductibles, coinsurance, and co-payments received
24 under the federal Employees Health Benefits Act on or after the
25 day following final enactment.

26 Sec. 5. Minnesota Statutes 2004, section 295.60,
27 subdivision 3, is amended to read:

28 Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated
29 payments of the taxes for the calendar year in quarterly
30 installments to the commissioner by April 15, July 15, October
31 15, and January 15 of the following calendar year.

32 (b) Estimated tax payments are not required if:

33 (1) the tax for the current calendar year is less than
34 \$500; or

35 (2) the tax for the previous calendar year is less than
36 \$500, if the taxpayer had a tax liability and was doing business

1 the entire year.

2 (c) Underpayment of estimated installments bear interest at
3 the rate specified in section 270.75, from the due date of the
4 payment until paid or until the due date of the annual return,
5 whichever comes first. An underpayment of an estimated
6 installment is the difference between the amount paid and the
7 lesser of (1) 90-percent-of-one-quarter-of-the-tax-for-the
8 calendar-year the tax for the actual gross revenues received
9 during the quarter, or (2) one-quarter of the total tax for the
10 previous calendar year if the taxpayer had a tax liability and
11 was doing business the entire year.

12 [EFFECTIVE DATE.] This section is effective for gross
13 revenues received after December 31, 2005.

14 Sec. 6. Minnesota Statutes 2004, section 296A.09, is
15 amended by adding a subdivision to read:

16 Subd. 6. [EXEMPTIONS.] The provisions of subdivisions 1
17 and 2 do not apply to aviation gasoline or jet fuel purchased by
18 an ambulance service licensed under chapter 144E.

19 [EFFECTIVE DATE.] This section is effective for purchases
20 made on or after July 1, 2005.

21 Sec. 7. Minnesota Statutes 2004, section 296A.22, is
22 amended by adding a subdivision to read:

23 Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may
24 by written order abate any penalty imposed under this section,
25 if in the commissioner's opinion there is reasonable cause to do
26 so.

27 (b) A request for abatement of penalty must be filed with
28 the commissioner within 60 days of the date the notice stating
29 that a penalty has been imposed was mailed to the taxpayer's
30 last known address.

31 (c) If the commissioner issues an order denying a request
32 for abatement of penalty, the taxpayer may file an
33 administrative appeal as provided in section 296A.25 or appeal
34 to Tax Court as provided in section 271.06. If the commissioner
35 does not issue an order on the abatement request within 60 days
36 from the date the request is received, the taxpayer may appeal

1 to Tax Court as provided in section 271.06.

2 [EFFECTIVE DATE.] This section is effective for penalties
3 imposed on or after the day following final enactment.

4 Sec. 8. Minnesota Statutes 2004, section 297E.01,
5 subdivision 5, is amended to read:

6 Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor
7 as defined in section 349.12, subdivision 11, or a person or
8 linked bingo game provider who markets, sells, or provides
9 gambling product to a person or entity for resale or use at the
10 retail level.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 9. Minnesota Statutes 2004, section 297E.01,
14 subdivision 7, is amended to read:

15 Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means
16 bingo hard cards, bingo paper, ~~or~~ sheets, or linked bingo paper
17 sheets; pull-tabs; tipboards; paddletickets and paddleticket
18 cards; raffle tickets; or any other ticket, card, board,
19 placard, device, or token that represents a chance, for which
20 consideration is paid, to win a prize.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 10. Minnesota Statutes 2004, section 297E.01, is
24 amended by adding a subdivision to read:

25 Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a
26 bingo game played at two or more locations where licensed
27 organizations are authorized to conduct bingo, when there is a
28 common prize pool and a common selection of numbers or symbols
29 conducted at one location, and when the results of the selection
30 are transmitted to all participating locations by satellite,
31 telephone, or other means by a linked bingo game provider.

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment.

34 Sec. 11. Minnesota Statutes 2004, section 297E.01, is
35 amended by adding a subdivision to read:

36 Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game

1 provider" means any person who provides the means to link bingo
2 prizes in a linked bingo game, who provides linked bingo paper
3 sheets to the participating organizations, who provides linked
4 bingo prize management, and who provides the linked bingo game
5 system.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment.

8 Sec. 12. Minnesota Statutes 2004, section 297E.06,
9 subdivision 2, is amended to read:

10 Subd. 2. [BUSINESS RECORDS.] An organization shall
11 maintain records supporting the gambling activity reported to
12 the commissioner. Records include, but are not limited to, the
13 following items:

14 (1) all winning and unsold tickets, cards, or stubs for
15 pull-tab, tipboard, paddlewheel, and raffle games;

16 (2) all reports and statements, including checker's
17 records, for each bingo occasion;

18 (3) all cash journals and ledgers, deposit slips, register
19 tapes, and bank statements supporting gambling activity
20 receipts;

21 (4) all invoices that represent purchases of gambling
22 product;

23 (5) all canceled checks or copies of substitute checks as
24 defined in Public Law 108-100, section 3, check recorders,
25 journals and ledgers, vouchers, invoices, bank statements, and
26 other documents supporting gambling activity expenditures; and

27 (6) all organizational meeting minutes.

28 All records required to be kept by this section must be
29 preserved by the organization for at least 3-1/2 years and may
30 be inspected by the commissioner of revenue at any reasonable
31 time without notice or a search warrant.

32 [EFFECTIVE DATE.] This section is effective July 1, 2005.

33 Sec. 13. Minnesota Statutes 2004, section 297E.07, is
34 amended to read:

35 297E.07 [INSPECTION RIGHTS.]

36 At any reasonable time, without notice and without a search

1 warrant, the commissioner may enter a place of business of a
2 manufacturer, distributor, ~~or~~ organization, or linked bingo game
3 provider; any site from which pull-tabs or tipboards or other
4 gambling equipment or gambling product are being manufactured,
5 stored, or sold; or any site at which lawful gambling is being
6 conducted, and inspect the premises, books, records, and other
7 documents required to be kept under this chapter to determine
8 whether or not this chapter is being fully complied with. If
9 the commissioner is denied free access to or is hindered or
10 interfered with in making an inspection of the place of
11 business, books, or records, the permit of the distributor may
12 be revoked by the commissioner, and the license of the
13 manufacturer, the distributor, ~~or~~ the organization, or linked
14 bingo game provider may be revoked by the board.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 14. Minnesota Statutes 2004, section 297F.08,
18 subdivision 12, is amended to read:

19 Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A
20 person may not transport or cause to be transported from this
21 state cigarettes for sale in another state without first
22 affixing to the cigarettes the stamp required by the state in
23 which the cigarettes are to be sold or paying any other excise
24 tax on the cigarettes imposed by the state in which the
25 cigarettes are to be sold.

26 (b) A person may not affix to cigarettes the stamp required
27 by another state or pay any other excise tax on the cigarettes
28 imposed by another state if the other state prohibits stamps
29 from being affixed to the cigarettes, prohibits the payment of
30 any other excise tax on the cigarettes, or prohibits the sale of
31 the cigarettes.

32 (c) Not later than 15 days after the end of each calendar
33 quarter, a person who transports or causes to be transported
34 from this state cigarettes for sale in another state shall
35 submit to the commissioner a report identifying the quantity and
36 style of each brand of the cigarettes transported or caused to

1 be transported in the preceding calendar quarter, and the name
2 and address of each recipient of the cigarettes. This reporting
3 requirement only applies to cigarettes manufactured by companies
4 that are not original or subsequent participating manufacturers
5 in the Master Settlement Agreement with other states.

6 (d) For purposes of this section, "person" has the meaning
7 given in section 297F.01, subdivision 12. Person does not
8 include any common or contract carrier, or public warehouse that
9 is not owned, in whole or in part, directly or indirectly by
10 such person, and does not include a manufacturer that has
11 entered-into is an original or subsequent participating
12 manufacturer in the Master Settlement Agreement with other
13 states.

14 [EFFECTIVE DATE.] This section is effective the day
15 following final enactment.

16 Sec. 15. Minnesota Statutes 2004, section 297F.08, is
17 amended by adding a subdivision to read:

18 Subd. 12. [BOND.] The commissioner may require the
19 furnishing of a corporate surety bond or a certified check in an
20 amount suitable to guarantee payment of the tax stamps purchased
21 by a distributor. The bond or certified check may be required
22 when the commissioner determines that a distributor is (1)
23 delinquent in the filing of any return required under this
24 chapter, or (2) delinquent in the payment of any uncontested tax
25 liability under this chapter. The distributor shall furnish the
26 bond or certified check for a period of two years, after which,
27 if the distributor has not been delinquent in the filing of any
28 returns required under this chapter, or delinquent in the paying
29 of any tax under this chapter, a bond or certified check is no
30 longer required. The commissioner at any time may apply the
31 bond or certified check to any unpaid taxes or fees, including
32 interest and penalties, owed to the department by the
33 distributor.

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 16. Minnesota Statutes 2004, section 297F.09,

1 subdivision 1, is amended to read:

2 Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On
3 or before the 18th day of each calendar month, a distributor
4 with a place of business in this state shall file a return with
5 the commissioner showing the quantity of cigarettes manufactured
6 or brought in from outside the state or purchased during the
7 preceding calendar month and the quantity of cigarettes sold or
8 otherwise disposed of in this state and outside this state
9 during that month. A licensed distributor outside this state
10 shall in like manner file a return showing the quantity of
11 cigarettes shipped or transported into this state during the
12 preceding calendar month. Returns must be made in the form and
13 manner prescribed by the commissioner and must contain any other
14 information required by the commissioner. The return must be
15 accompanied by a remittance for the full unpaid tax liability
16 shown by it. ~~The return for the May liability and 85 percent of~~
17 ~~the estimated June liability is due on the date payment of the~~
18 ~~tax is due.~~ For distributors subject to the accelerated tax
19 payment requirements in subdivision 10, the return for the May
20 liability is due two business days before June 30th of the year
21 and the return for the June liability is due on or before August
22 18th of the year.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

25 Sec. 17. Minnesota Statutes 2004, section 297F.09,
26 subdivision 2, is amended to read:

27 Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.]
28 On or before the 18th day of each calendar month, a distributor
29 with a place of business in this state shall file a return with
30 the commissioner showing the quantity and wholesale sales price
31 of each tobacco product:

32 (1) brought, or caused to be brought, into this state for
33 sale; and

34 (2) made, manufactured, or fabricated in this state for
35 sale in this state, during the preceding calendar month.

36 Every licensed distributor outside this state shall in like

1 manner file a return showing the quantity and wholesale sales
2 price of each tobacco product shipped or transported to
3 retailers in this state to be sold by those retailers, during
4 the preceding calendar month. Returns must be made in the form
5 and manner prescribed by the commissioner and must contain any
6 other information required by the commissioner. The return must
7 be accompanied by a remittance for the full tax liability
8 shown. ~~The return for the May liability and 85 percent of the~~
9 ~~estimated June liability is due on the date payment of the tax~~
10 ~~is due.~~ For distributors subject to the accelerated tax payment
11 requirements in subdivision 10, the return for the May liability
12 is due two business days before June 30th of the year and the
13 return for the June liability is due on or before August 18th of
14 the year.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 18. Minnesota Statutes 2004, section 297G.09, is
18 amended by adding a subdivision to read:

19 Subd. 9. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a)
20 If a manufacturer, wholesaler, brewer, or importer has an
21 average liquor tax liability equal to or less than \$500 per
22 month in any quarter of a calendar year, and has substantially
23 complied with the state tax laws during the preceding four
24 calendar quarters, the manufacturer, wholesaler, brewer, or
25 importer may request authorization to file and pay the taxes
26 quarterly in subsequent calendar quarters. The authorization
27 remains in effect during the period in which the manufacturer's,
28 wholesaler's, brewer's, or importer's quarterly returns reflect
29 liquor tax liabilities of less than \$1,500 and there is
30 continued compliance with state tax laws.

31 (b) If a manufacturer, wholesaler, brewer, or importer has
32 an average liquor tax liability equal to or less than \$100 per
33 month during a calendar year, and has substantially complied
34 with the state tax laws during that period, the manufacturer,
35 wholesaler, brewer, or importer may request authorization to
36 file and pay the taxes annually in subsequent years. The

1 authorization remains in effect during the period in which the
 2 manufacturer's, wholesaler's, brewer's, or importer's annual
 3 returns reflect liquor tax liabilities of less than \$1,200 and
 4 there is continued compliance with state tax laws.

5 (c) The commissioner may also grant quarterly or annual
 6 filing and payment authorizations to manufacturers, wholesalers,
 7 brewers, or importers if the commissioner concludes that the
 8 manufacturer's, wholesaler's, brewer's, or importer's future tax
 9 liabilities will be less than the monthly totals identified in
 10 paragraphs (a) and (b). An authorization granted under this
 11 paragraph is subject to the same conditions as an authorization
 12 granted under paragraphs (a) and (b).

13 (d) The annual tax return and payments must be filed and
 14 paid on or before the 18th day of January following the calendar
 15 year. The quarterly returns and payments must be filed and paid
 16 on or before April 18 for the quarter ending March 31, on or
 17 before July 18 for the quarter ending June 30, on or before
 18 October 18 for the quarter ending September 30, and on or before
 19 January 18 for the quarter ending December 31.

20 [EFFECTIVE DATE.] This section is effective for tax returns
 21 and payments due on or after January 1, 2006.

22 Sec. 19. Minnesota Statutes 2004, section 297I.01, is
 23 amended by adding a subdivision to read:

24 Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance
 25 whereby an insurance company, for a consideration, agrees to
 26 indemnify another insurance company against all or part of the
 27 loss which the latter may sustain under the policy or policies
 28 which it has issued.

29 [EFFECTIVE DATE.] This section is effective the day
 30 following final enactment.

31 Sec. 20. Minnesota Statutes 2004, section 297I.05,
 32 subdivision 5, is amended to read:

33 Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT
 34 HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED
 35 SERVICE NETWORKS.] (a) Health-maintenance-organizations,
 36 community-integrated-service-networks,-and-nonprofit-health-care

1 ~~service-plan-corporations-are-exempt-from-the-tax-imposed-under~~
 2 ~~this-section-for-premiums-received-in-calendar-years-2001-to~~
 3 ~~2003-~~

4 ~~(b)-For-calendar-years-after-2003,~~ A tax is imposed on
 5 health maintenance organizations, community integrated service
 6 networks, and nonprofit health care service plan corporations.
 7 The rate of tax is equal to one percent of gross premiums less
 8 return premiums on all direct business received by the
 9 organization, network, or corporation or its agents in
 10 Minnesota, in cash or otherwise, in the calendar year.

11 ~~(c)-In-approving-the-premium-rates-as-required-in-sections~~
 12 ~~62B.08, subdivision 8, and 62A.65, subdivision 3, the~~
 13 ~~commissioners-of-health-and-commerce-shall-ensure-that-any~~
 14 ~~exemption-from-tax-as-described-in-paragraph-(a)-is-reflected-in~~
 15 ~~the-premium-rate-~~

16 ~~(d)~~ (b) The commissioner shall deposit all revenues,
 17 including penalties and interest, collected under this chapter
 18 from health maintenance organizations, community integrated
 19 service networks, and nonprofit health service plan corporations
 20 in the health care access fund. Refunds of overpayments of tax
 21 imposed by this subdivision must be paid from the health care
 22 access fund. There is annually appropriated from the health
 23 care access fund to the commissioner the amount necessary to
 24 make any refunds of the tax imposed under this subdivision.

25 [EFFECTIVE DATE.] This section is effective January 1, 2005.

26 Sec. 21. [REPEALER.]

27 Minnesota Statutes 2004, section 297E.12, subdivision 10,
 28 is repealed effective the day following final enactment.

29 ARTICLE ..

30 DEPARTMENT OF REVENUE

31 ELECTRONIC PAYMENTS

32 Section 1. [270.772] [MINIMUM DOLLAR REQUIREMENT FOR
 33 ELECTRONIC PAYMENT OF TAXES AND FEES.]

34 (a) Except as provided in paragraph (b), payments of every
 35 tax, fee, or surcharge administered by and payable to the
 36 commissioner in a calendar year, including deposits and

1 estimated payments, must be remitted electronically if the
2 liability of the taxpayer or payer for the tax, fee, or
3 surcharge is:

4 (1) \$20,000 or more in the preceding fiscal year ending
5 June 30, 2005; and

6 (2) \$10,000 or more in the preceding fiscal year ending
7 June 30, 2006, and preceding fiscal years thereafter.

8 (b) This section does not apply to individual income,
9 estate, fiduciary, and airflight property taxes, and it does not
10 apply to any law requiring all payments for a specific type of
11 tax, fee, or surcharge, or from a specific group of taxpayers or
12 payers, to be made electronically regardless of dollar amount.

13 Sec. 2. Minnesota Statutes 2004, section 289A.20,
14 subdivision 2, is amended to read:

15 Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING,
16 WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND
17 WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

18 (a) A tax required to be deducted and withheld during the
19 quarterly period must be paid on or before the last day of the
20 month following the close of the quarterly period, unless an
21 earlier time for payment is provided. A tax required to be
22 deducted and withheld from compensation of an entertainer and
23 from a payment to an out-of-state contractor must be paid on or
24 before the date the return for such tax must be filed under
25 section 289A.18, subdivision 2. Taxes required to be deducted
26 and withheld by partnerships and S corporations must be paid on
27 or before the date the return must be filed under section
28 289A.18, subdivision 2.

29 (b) An employer who, during the previous quarter, withheld
30 more than \$1,500 of tax under section 290.92, subdivision 2a or
31 3, or 290.923, subdivision 2, must deposit tax withheld under
32 those sections with the commissioner within the time allowed to
33 deposit the employer's federal withheld employment taxes under
34 Code of Federal Regulations, title 26, section 31.6302-1, as
35 amended through December 31, 2001, without regard to the safe
36 harbor or de minimis rules in subparagraph (f) or the one-day

1 rule in subsection (c), clause (3). Taxpayers must submit a
2 copy of their federal notice of deposit status to the
3 commissioner upon request by the commissioner.

4 (c) The commissioner may prescribe by rule other return
5 periods or deposit requirements. In prescribing the reporting
6 period, the commissioner may classify payors according to the
7 amount of their tax liability and may adopt an appropriate
8 reporting period for the class that the commissioner judges to
9 be consistent with efficient tax collection. In no event will
10 the duration of the reporting period be more than one year.

11 (d) If less than the correct amount of tax is paid to the
12 commissioner, proper adjustments with respect to both the tax
13 and the amount to be deducted must be made, without interest, in
14 the manner and at the times the commissioner prescribes. If the
15 underpayment cannot be adjusted, the amount of the underpayment
16 will be assessed and collected in the manner and at the times
17 the commissioner prescribes.

18 ~~(e) If the aggregate amount of the tax withheld during a~~
19 ~~fiscal year ending June 30 under section 290.92, subdivision 2a~~
20 ~~or 3, is equal to or exceeds the amounts established for~~
21 ~~remitting federal withheld taxes pursuant to the regulations~~
22 ~~promulgated under section 6302(h) of the Internal Revenue Code,~~
23 ~~the employer must remit each required deposit for wages paid in~~
24 ~~the subsequent calendar year by electronic means.~~

25 (f) A third-party bulk filer as defined in section 290.92,
26 subdivision 30, paragraph (a), clause (2), who remits
27 withholding deposits must remit all deposits by electronic means
28 as provided in paragraph (e), regardless of the aggregate amount
29 of tax withheld during a fiscal year for all of the employers.

30 Sec. 3. Minnesota Statutes 2004, section 289A.20,
31 subdivision 4, is amended to read:

32 Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by
33 chapter 297A are due and payable to the commissioner monthly on
34 or before the 20th day of the month following the month in which
35 the taxable event occurred, or following another reporting
36 period as the commissioner prescribes or as allowed under

1 section 289A.18, subdivision 4, paragraph (f) or (g), except
2 that use taxes due on an annual use tax return as provided under
3 section 289A.11, subdivision 1, are payable by April 15
4 following the close of the calendar year.

5 (b) A vendor having a liability of \$120,000 or more during
6 a fiscal year ending June 30 must remit the June liability for
7 the next year in the following manner:

8 (1) Two business days before June 30 of the year, the
9 vendor must remit 85 percent of the estimated June liability to
10 the commissioner.

11 (2) On or before August 20 of the year, the vendor must pay
12 any additional amount of tax not remitted in June.

13 ~~(c) A vendor having a liability of \$120,000 or more during~~
14 ~~a fiscal year ending June 30 must remit all liabilities on~~
15 ~~returns due for periods beginning in the subsequent calendar~~
16 ~~year by electronic means on or before the 20th day of the month~~
17 ~~following the month in which the taxable event occurred, or on~~
18 ~~or before the 20th day of the month following the month in which~~
19 ~~the sale is reported under section 289A.18, subdivision 4,~~
20 ~~except for 85 percent of the estimated June liability, which is~~
21 ~~due two business days before June 30. The remaining amount of~~
22 ~~the June liability is due on August 20.~~

23 Sec. 4. Minnesota Statutes 2004, section 297E.02,
24 subdivision 4, is amended to read:

25 Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed
26 on the sale of each deal of pull-tabs and tipboards sold by a
27 distributor. The rate of the tax is 1.7 percent of the ideal
28 gross of the pull-tab or tipboard deal. The sales tax imposed
29 by chapter 297A on the sale of the pull-tabs and tipboards by
30 the distributor is imposed on the retail sales price less the
31 tax imposed by this subdivision. The retail sale of pull-tabs
32 or tipboards by the organization is exempt from taxes imposed by
33 chapter 297A and is exempt from all local taxes and license fees
34 except a fee authorized under section 349.16, subdivision 8.

35 (b) The liability for the tax imposed by this section is
36 incurred when the pull-tabs and tipboards are delivered by the

1 distributor to the customer or to a common or contract carrier
2 for delivery to the customer, or when received by the customer's
3 authorized representative at the distributor's place of
4 business, regardless of the distributor's method of accounting
5 or the terms of the sale.

6 The tax imposed by this subdivision is imposed on all sales
7 of pull-tabs and tipboards, except the following:

8 (1) sales to the governing body of an Indian tribal
9 organization for use on an Indian reservation;

10 (2) sales to distributors licensed under the laws of
11 another state or of a province of Canada, as long as all
12 statutory and regulatory requirements are met in the other state
13 or province;

14 (3) sales of promotional tickets as defined in section
15 349.12; and

16 (4) pull-tabs and tipboards sold to an organization that
17 sells pull-tabs and tipboards under the exemption from licensing
18 in section 349.166, subdivision 2. A distributor shall require
19 an organization conducting exempt gambling to show proof of its
20 exempt status before making a tax-exempt sale of pull-tabs or
21 tipboards to the organization. A distributor shall identify, on
22 all reports submitted to the commissioner, all sales of
23 pull-tabs and tipboards that are exempt from tax under this
24 subdivision.

25 ~~(c) A distributor having a liability of \$120,000 or more~~
26 ~~during a fiscal year ending June 30 must remit all liabilities~~
27 ~~in the subsequent calendar year by electronic means.~~

28 (d) Any customer who purchases deals of pull-tabs or
29 tipboards from a distributor may file an annual claim for a
30 refund or credit of taxes paid pursuant to this subdivision for
31 unsold pull-tab and tipboard tickets. The claim must be filed
32 with the commissioner on a form prescribed by the commissioner
33 by March 20 of the year following the calendar year for which
34 the refund is claimed. The refund must be filed as part of the
35 customer's February monthly return. The refund or credit is
36 equal to 1.7 percent of the face value of the unsold pull-tab or

1 tipboard tickets, provided that the refund or credit will be
 2 1.75 percent of the face value of the unsold pull-tab or
 3 tipboard tickets for claims for a refund or credit of taxes
 4 filed on the February 2001 monthly return. The refund claimed
 5 will be applied as a credit against tax owing under this chapter
 6 on the February monthly return. If the refund claimed exceeds
 7 the tax owing on the February monthly return, that amount will
 8 be refunded. The amount refunded will bear interest pursuant to
 9 section 270.76 from 90 days after the claim is filed.

10 Sec. 5. Minnesota Statutes 2004, section 473.843,
 11 subdivision 3, is amended to read:

12 Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of
 13 each month each operator shall pay the fee due under this
 14 section for the previous month, using a form provided by the
 15 commissioner of revenue.

16 ~~An operator having a fee of \$120,000 or more during a~~
 17 ~~fiscal year ending June 30 must pay all fees in the subsequent~~
 18 ~~calendar year by electronic means.~~

19 Sec. 6. [REPEALER.]

20 Minnesota Statutes 2004, sections 289A.26, subdivision 2a;
 21 289A.60, subdivision 21; 295.55, subdivision 4; 295.60,
 22 subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6;
 23 297I.35, subdivision 2; and 297I.85, subdivision 7, are repealed.

24 Sec. 7. [EFFECTIVE DATE.]

25 This article is effective for payments due in calendar year
 26 2006, and in calendar years thereafter, based upon liabilities
 27 incurred in the fiscal year ending June 30, 2005, and in fiscal
 28 years thereafter.

29 ARTICLE 6

30 MISCELLANEOUS

31 Section 1. Minnesota Statutes 2004, section 15.06,
 32 subdivision 6, is amended to read:

33 Subd. 6. [GENERAL POWERS OF COMMISSIONERS.] Except as
 34 otherwise expressly provided by law, a commissioner shall have
 35 the following powers:

36 (1) to delegate to any subordinate employee the exercise of

1 specified statutory powers or duties as the commissioner may
2 deem advisable, subject to the commissioner's control; provided,
3 that every delegation shall be made by written order, filed with
4 the secretary of state; and further provided that only a deputy
5 commissioner may have all the powers or duties of the
6 commissioner. A commissioner who delegates the exercise of
7 identical powers or duties to ten or more subordinate employees,
8 may combine the delegation to these employees in one written
9 order. A delegation of authority granted by a commissioner
10 remains in effect until revoked by the commissioner, revoked by
11 a successor commissioner, or termination of the employees'
12 employment. A successor commissioner may continue to grant the
13 same delegations of authority that were granted by a previous
14 commissioner, by issuing a written order that is filed with the
15 secretary of state and lists the names of the subordinate
16 employees that have orders of delegations of authority, the date
17 the order was signed, and the date the order was filed with the
18 secretary of state;

19 (2) to appoint all subordinate employees and to prescribe
20 their duties; provided, that all departments and agencies shall
21 be subject to the provisions of chapter 43A;

22 (3) with the approval of the commissioner of
23 administration, to organize the department or agency as deemed
24 advisable in the interest of economy and efficiency; and

25 (4) to prescribe procedures for the internal management of
26 the department or agency to the extent that the procedures do
27 not directly affect the rights of or procedure available to the
28 public.

29 **[EFFECTIVE DATE.]** This section is effective the day
30 following final enactment.

31 Sec. 2. Minnesota Statutes 2004, section 16D.10, is
32 amended to read:

33 16D.10 [CASE REVIEWER.]

34 Subdivision 1. [DUTIES.] The commissioner shall make a
35 case reviewer available to debtors. The reviewer must be
36 available to answer a debtor's questions concerning the

1 collection process and to review the collection activity taken.
2 If the reviewer reasonably believes that the particular action
3 being taken is unreasonable or unfair, the reviewer may make
4 recommendations to the commissioner in regard to the collection
5 action.

6 Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On
7 application filed by a debtor with the case reviewer, in the
8 form, manner, and in the time prescribed by the commissioner,
9 and after thorough investigation, the case reviewer may issue a
10 debtor assistance order if, in the determination of the case
11 reviewer, the manner in which the state debt collection laws are
12 being administered is creating or will create an unjust and
13 inequitable result for the debtor. Debtor assistance orders are
14 governed by the provisions relating to taxpayer assistance
15 orders under section 270.273.

16 Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.]
17 All duties and authority of the case reviewer under subdivisions
18 1 and 2 are transferred to the taxpayer rights advocate.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 3. Minnesota Statutes 2004, section 270.65, is
22 amended to read:

23 270.65 [DATE OF ASSESSMENT; DEFINITION.]

24 For purposes of taxes administered by the commissioner, the
25 term "date of assessment" means the date a liability reported on
26 a return was entered into the records of the commissioner or the
27 date a return should have been filed, whichever is later; or, in
28 the case of taxes determined by the commissioner, "date of
29 assessment" means the date of the order assessing taxes or date
30 of the return made by the commissioner; or, in the case of an
31 amended return filed by the taxpayer, the assessment date is the
32 date additional liability reported on the return, if any, was
33 entered into the records of the commissioner; or, in the case of
34 a consent agreement signed by the taxpayer under section 270.67,
35 subdivision 3, the assessment date is the notice date shown on
36 the agreement; or, in the case of a check from a taxpayer that

1 is dishonored and results in an erroneous refund being given to
2 the taxpayer, remittance of the check is deemed to be an
3 assessment and the "date of assessment" is the date the check
4 was received by the commissioner.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 4. Minnesota Statutes 2004, section 270.67,
8 subdivision 4, is amended to read:

9 Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT
10 PROGRAM.] (a) In implementing the authority provided in
11 subdivision 2 or in sections 8.30 and 16D.15 to accept offers of
12 installment payments or offers-in-compromise of tax liabilities,
13 the commissioner of revenue shall prescribe guidelines for
14 employees of the Department of Revenue to determine whether an
15 offer-in-compromise or an offer to make installment payments is
16 adequate and should be accepted to resolve a dispute. In
17 prescribing the guidelines, the commissioner shall develop and
18 publish schedules of national and local allowances designed to
19 provide that taxpayers entering into a compromise or payment
20 agreement have an adequate means to provide for basic living
21 expenses. The guidelines must provide that the taxpayer's
22 ownership interest in a motor vehicle, to the extent of the
23 value allowed in section 550.37, will not be considered as an
24 asset; in the case of an offer related to a joint tax liability
25 of spouses, that value of two motor vehicles must be excluded.
26 The guidelines must provide that employees of the department
27 shall determine, on the basis of the facts and circumstances of
28 each taxpayer, whether the use of the schedules is appropriate
29 and that employees must not use the schedules to the extent the
30 use would result in the taxpayer not having adequate means to
31 provide for basic living expenses. The guidelines must provide
32 that:

33 (1) an employee of the department shall not reject an
34 offer-in-compromise or an offer to make installment payments
35 from a low-income taxpayer solely on the basis of the amount of
36 the offer; and

1 (2) in the case of an offer-in-compromise which relates
2 only to issues of liability of the taxpayer:

3 (i) the offer must not be rejected solely because the
4 commissioner is unable to locate the taxpayer's return or return
5 information for verification of the liability; and

6 (ii) the taxpayer shall not be required to provide an
7 audited, reviewed, or compiled financial statement.

8 (b) The commissioner shall establish procedures:

9 (1) that require presentation of a counteroffer or a
10 written rejection of the offer by the commissioner if the amount
11 offered by the taxpayer in an offer-in-compromise or an offer to
12 make installment payments is not accepted by the commissioner;

13 (2) for an administrative review of any written rejection
14 of a proposed offer-in-compromise or installment agreement made
15 by a taxpayer under this section before the rejection is
16 communicated to the taxpayer;

17 (3) that allow a taxpayer to request reconsideration of any
18 written rejection of the offer or agreement to the commissioner
19 of revenue to determine whether the rejection is reasonable and
20 appropriate under the circumstances; and

21 (4) that provide for notification to the taxpayer when an
22 offer-in-compromise has been accepted, and issuance of
23 certificates of release of any liens imposed under section
24 270.69 related to the liability which is the subject of the
25 compromise.

26 (c) Each compromise proposal must be accompanied by a
27 nonrefundable payment of \$250. If the compromise proposal is
28 accepted, the payment must be applied to the accepted compromise
29 amount. If the compromise is rejected, the payment must be
30 applied to the outstanding tax debts of the taxpayer pursuant to
31 section 270.652. In cases of financial hardship, upon
32 presentation of information establishing an inability to make
33 the \$250 payment, the commissioner may waive this requirement.

34 [EFFECTIVE DATE.] This section is effective for offers in
35 compromise submitted after August 31, 2005.

36 Sec. 5. Minnesota Statutes 2004, section 270.69,

1 subdivision 4, is amended to read:

2 Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this
3 section shall, notwithstanding any other provision of law to the
4 contrary, be enforceable from the time the lien arises and for
5 ten years from the date of filing the notice of lien, which must
6 be filed by the commissioner within five years after the date of
7 assessment of the tax or final administrative or judicial
8 determination of the assessment. A notice of lien filed in one
9 county may be transcribed to the secretary of state or to any
10 other county within ten years after the date of its filing, but
11 the transcription shall not extend the period during which the
12 lien is enforceable. A notice of lien may be renewed by the
13 commissioner before the expiration of the ten-year period for an
14 additional ten years. The taxpayer must receive written notice
15 of the renewal.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 6. Minnesota Statutes 2004, section 289A.19,
19 subdivision 4, is amended to read:

20 Subd. 4. [~~ESTATE TAX RETURNS.] ~~When-in-the-commissioner's~~
21 ~~judgment-good-cause-exists,-the-commissioner-may-extend-the-time~~
22 ~~for-filing-an-estate-tax-return-for-not-more-than-six-months.~~
23 When an extension to file the federal estate tax return has been
24 granted under section 6081 of the Internal Revenue Code, the
25 time for filing the estate tax return is extended for that
26 period. If the estate requests an extension to file an estate
27 tax return within the time provided in section 289A.18,
28 subdivision 3, the commissioner shall extend the time for filing
29 the estate tax return for six months.~~

30 [EFFECTIVE DATE.] This section is effective for estates of
31 decedents dying after December 31, 2004.

32 Sec. 7. Minnesota Statutes 2004, section 289A.31,
33 subdivision 2, is amended to read:

34 Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income
35 tax return is made by a husband and wife, the liability for the
36 tax is joint and several. A spouse who qualifies for relief

1 from a liability attributable to an underpayment under section
2 6015(b) of the Internal Revenue Code is relieved of the state
3 income tax liability on the underpayment.

4 (b) In the case of individuals who were a husband and wife
5 prior to the dissolution of their marriage or their legal
6 separation, or prior to the death of one of the individuals, for
7 tax liabilities reported on a joint or combined return, the
8 liability of each person is limited to the proportion of the tax
9 due on the return that equals that person's proportion of the
10 total tax due if the husband and wife filed separate returns for
11 the taxable year. This provision is effective only when the
12 commissioner receives written notice of the marriage
13 dissolution, legal separation, or death of a spouse from the
14 husband or wife. No refund may be claimed by an ex-spouse,
15 legally separated or widowed spouse for any taxes paid more than
16 60 days before receipt by the commissioner of the written notice.

17 (c) A request for calculation of separate liability
18 pursuant to paragraph (b) for taxes reported on a return must be
19 made within six years after the due date of the return. For
20 calculation of separate liability for taxes assessed by the
21 commissioner under section 289A.35 or 289A.37, the request must
22 be made within six years after the date of assessment. The
23 commissioner is not required to calculate separate liability if
24 the remaining unpaid liability for which recalculation is
25 requested is \$100 or less.

26 [EFFECTIVE DATE.] This section is effective for requests
27 for relief made on or after the day following final enactment.

28 Sec. 8. Minnesota Statutes 2004, section 289A.37,
29 subdivision 5, is amended to read:

30 Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment,
31 sent postage prepaid by United States mail to the taxpayer at
32 the taxpayer's last known address, or sent by electronic mail to
33 the taxpayer's last known electronic mailing address as provided
34 for in section 325L.08, is sufficient even if the taxpayer is
35 deceased or is under a legal disability, or, in the case of a
36 corporation, has terminated its existence, unless the department

1 has been provided with a new address by a party authorized to
2 receive notices of assessment.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

5 Sec. 9. Minnesota Statutes 2004, section 289A.60,
6 subdivision 2a, is amended to read:

7 Subd. 2a. [PENALTIES FOR EXTENDED DELINQUENCY.] (a) If an
8 individual income tax is not paid within 180 days after the date
9 of filing of a return or, in the case of taxes assessed by the
10 commissioner, within 180 days after the assessment date or, if
11 appealed, within 180 days after final resolution of the appeal,
12 an extended delinquency penalty of five percent of the tax
13 remaining unpaid is added to the amount due.

14 (b) If a ~~corporate-franchise-fiduciary-income-mining~~
15 ~~company-estate-partnership-S-corporation-or-nonresident~~
16 ~~entertainer~~ tax return is not filed within 30 days after written
17 demand for the filing of a delinquent return, an extended
18 delinquency penalty of five percent of the tax not paid prior to
19 the demand ~~is added to the tax~~, or in the case of an individual
20 ~~income tax return, a minimum penalty of \$100 or the five percent~~
21 ~~penalty~~ is imposed, whichever amount is greater.

22 [EFFECTIVE DATE.] This section is effective for returns
23 originally due on or after August 1, 2005.

24 Sec. 10. Minnesota Statutes 2004, section 289A.60,
25 subdivision 6, is amended to read:

26 Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT
27 RETURN, EVASION.] If a person, with intent to evade or defeat a
28 tax or payment of tax, fails to file a return, files a false or
29 fraudulent return, or attempts in any other manner to evade or
30 defeat a tax or payment of tax, there is imposed on the person a
31 penalty equal to 50 percent of the tax, less amounts paid by the
32 person on the basis of the false or fraudulent return, if any,
33 due for the period to which the return related.

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 11. Minnesota Statutes 2004, section 289A.60,

1 subdivision 11, is amended to read:

2 Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS,
3 WITHHOLDING.] (a) When a person required under section 289A.09,
4 subdivision 2, to give a statement to an employee or payee and a
5 duplicate statement to the commissioner, or to give a
6 reconciliation of the statements and quarterly returns to the
7 commissioner, gives a false or fraudulent statement to an
8 employee or payee or a false or fraudulent duplicate statement
9 or reconciliation of statements and quarterly returns to the
10 commissioner, or fails to give a statement or the reconciliation
11 in the manner, when due, and showing the information required by
12 section 289A.09, subdivision 2, or rules prescribed by the
13 commissioner under that section, that person is liable for a
14 penalty of \$50 for an act or failure to act. The total amount
15 imposed on the delinquent person for failures during a calendar
16 year must not exceed \$25,000.

17 (b) In addition to any other penalty provided by law, an
18 employee who gives a withholding exemption certificate or a
19 residency affidavit to an employer that ~~the-employee-has-reason~~
20 ~~to-know-contains-a-materially-incorrect-statement~~ decreases the
21 amount withheld under section 290.92 and as of the time the
22 certificate or affidavit was given to the employer there was no
23 reasonable basis for the statements in the certificate or
24 affidavit is liable to the commissioner of revenue for a penalty
25 of \$500 for each instance.

26 (c) In addition to any other penalty provided by law, an
27 employer who fails to submit a copy of a withholding exemption
28 certificate or a residency affidavit required by section 290.92,
29 subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the
30 commissioner of revenue for a penalty of \$50 for each instance.

31 (d) An employer or payor who fails to file an application
32 for a withholding account number, as required by section 290.92,
33 subdivision 24, is liable to the commissioner for a penalty of
34 \$100.

35 [EFFECTIVE DATE.] This section is effective for
36 certificates and affidavits given to employers after December

1 31, 2005.

2 Sec. 12. Minnesota Statutes 2004, section 290.92,
3 subdivision 1, is amended to read:

4 Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes
5 of this section, the term "wages" means the same as that term is
6 defined in section 3401(a) and (f) of the Internal Revenue Code.

7 (2) [PAYROLL PERIOD.] For purposes of this section the
8 term "payroll period" means a period for which a payment of
9 wages is ordinarily made to the employee by the employee's
10 employer, and the term "miscellaneous payroll period" means a
11 payroll period other than a daily, weekly, biweekly,
12 semimonthly, monthly, quarterly, semiannual, or annual payroll
13 period.

14 (3) [EMPLOYEE.] For purposes of this section the term
15 "employee" means any resident individual performing services for
16 an employer, either within or without, or both within and
17 without the state of Minnesota, and every nonresident individual
18 performing services within the state of Minnesota, the
19 performance of which services constitute, establish, and
20 determine the relationship between the parties as that of
21 employer and employee. As used in the preceding sentence, the
22 term "employee" includes an officer of a corporation, and an
23 officer, employee, or elected official of the United States, a
24 state, or any political subdivision thereof, or the District of
25 Columbia, or any agency or instrumentality of any one or more of
26 the foregoing.

27 (4) [EMPLOYER.] For purposes of this section the term
28 "employer" means any person, including individuals, fiduciaries,
29 estates, trusts, partnerships, limited liability companies, and
30 corporations transacting business in or deriving any income from
31 sources within the state of Minnesota for whom an individual
32 performs or performed any service, of whatever nature, as the
33 employee of such person, except that if the person for whom the
34 individual performs or performed the services does not have
35 legal control of the payment of the wages for such services, the
36 term "employer," except for purposes of paragraph (1), means the

1 person having legal control of the payment of such wages. As
2 used in the preceding sentence, the term "employer" includes any
3 corporation, individual, estate, trust, or organization which is
4 exempt from taxation under section 290.05 and further includes,
5 but is not limited to, officers of corporations who have legal
6 control, either individually or jointly with another or others,
7 of the payment of the wages.

8 (5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For
9 purposes of this section, the term "number of withholding
10 exemptions claimed" means the number of withholding exemptions
11 claimed in a withholding exemption certificate in effect under
12 subdivision 5, except that if no such certificate is in effect,
13 the number of withholding exemptions claimed shall be considered
14 to be zero.

15 [EFFECTIVE DATE.] This section is effective the day
16 following final enactment.

17 Sec. 13. Minnesota Statutes 2004, section 290C.05, is
18 amended to read:

19 290C.05 [ANNUAL CERTIFICATION.]

20 On or before July 1 of each year, beginning with the year
21 after the claimant has received an approved application, the
22 commissioner shall send each claimant enrolled under the
23 sustainable forest incentive program a certification form. The
24 claimant must sign the certification, attesting that the
25 requirements and conditions for continued enrollment in the
26 program are currently being met, and must return the signed
27 certification form to the commissioner by August 15 of that same
28 year. ~~Failure to~~ If the claimant does not return an annual
29 certification form by the due date ~~shall result in removal of~~
30 ~~the lands from the provisions of the sustainable forest~~
31 ~~incentive program, and the imposition of any applicable removal~~
32 ~~penalty,~~ the provisions in section 290C.11 apply. ~~The claimant~~
33 ~~may appeal the removal and any associated penalty according to~~
34 ~~the procedures and within the time allowed under this chapter.~~

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 14. [290C.055] [LENGTH OF COVENANT.]

2 The covenant remains in effect for a minimum of eight
3 years. If land is removed from the program before it has been
4 enrolled for four years, the covenant remains in effect for
5 eight years from the date recorded.

6 If land that has been enrolled for four years or more is
7 removed from the program for any reason, there is a waiting
8 period before the covenant terminates. The covenant terminates
9 on January 1 of the fifth calendar year that begins after the
10 date that:

11 (1) the commissioner receives notification from the
12 claimant that the claimant wishes to remove the land from the
13 program under section 290C.10; or

14 (2) the date that the land is removed from the program
15 under section 290C.11.

16 Notwithstanding the other provisions of this section, the
17 covenant is terminated at the same time that the land is removed
18 from the program due to acquisition of title or possession for a
19 public purpose under section 290C.10.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 15. Minnesota Statutes 2004, section 290C.10, is
23 amended to read:

24 290C.10 [WITHDRAWAL PROCEDURES.]

25 An approved claimant under the sustainable forest incentive
26 program for a minimum of four years may notify the commissioner
27 of the intent to terminate enrollment. Within 90 days of
28 receipt of notice to terminate enrollment, the commissioner
29 shall inform the claimant in writing, acknowledging receipt of
30 this notice and indicating the effective date of termination
31 from the sustainable forest incentive program. Termination of
32 enrollment in the sustainable forest incentive program occurs on
33 January 1 of the fifth calendar year that begins after receipt
34 by the commissioner of the termination notice. After the
35 commissioner issues an effective date of termination, a claimant
36 wishing to continue the land's enrollment in the sustainable

1 forest incentive program beyond the termination date must apply
2 for enrollment as prescribed in section 290C.04. A claimant who
3 withdraws a parcel of land from this program may not reenroll
4 the parcel for a period of three years. Within 90 days after
5 the termination date, the commissioner shall execute and
6 acknowledge a document releasing the land from the covenant
7 required under this chapter. The document must be mailed to the
8 claimant and is entitled to be recorded. The commissioner may
9 allow early withdrawal from the Sustainable Forest Incentive Act
10 without penalty in-eases-of-eondemnatiem when the state of
11 Minnesota, any local government unit, or any other entity which
12 has the right of eminent domain acquires title or possession to
13 the land for a public purpose notwithstanding the provisions of
14 this section. In the case of such acquisition, the commissioner
15 shall execute and acknowledge a document releasing the land
16 acquired by the state, local government unit, or other entity
17 from the covenant. All other enrolled land must remain in the
18 program.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 16. Minnesota Statutes 2004, section 325D.33,
22 subdivision 6, is amended to read:

23 Subd. 6. [VIOLATIONS.] If the commissioner determines that
24 a distributor is violating any provision of this chapter, the
25 commissioner must give the distributor a written warning
26 explaining the violation and an explanation of what must be done
27 to comply with this chapter. Within ten days of issuance of the
28 warning, the distributor must notify the commissioner that the
29 distributor has complied with the commissioner's recommendation
30 or request that the commissioner set the issue for a hearing
31 pursuant to chapter 14. If a hearing is requested, the hearing
32 shall be scheduled within 20 days of the request and the
33 recommendation of the administrative law judge shall be issued
34 within five working days of the close of the hearing. The
35 commissioner's final determination shall be issued within five
36 working days of the receipt of the administrative law judge's

1 recommendation. If the commissioner's final determination is
2 adverse to the distributor and the distributor does not comply
3 within ten days of receipt of the commissioner's final
4 determination, the commissioner may order the distributor to
5 immediately cease the stamping of cigarettes. As soon as
6 practicable after the order, the commissioner must remove the
7 meter and any unapplied cigarette stamps from the premises of
8 the distributor.

9 If within ten days of issuance of the written warning the
10 distributor has not complied with the commissioner's
11 recommendation or requested a hearing, the commissioner may
12 order the distributor to immediately cease the stamping of
13 cigarettes and remove the meter and unapplied stamps from the
14 distributor's premises.

15 ~~If, within any 12-month period, the commissioner has issued~~
16 ~~three written warnings to any distributor, even if the~~
17 ~~distributor has complied within ten days, the commissioner shall~~
18 ~~notify the distributor of the commissioner's intent to revoke~~
19 ~~the distributor's license for a continuing course of conduct~~
20 ~~contrary to this chapter. For purposes of this paragraph, a~~
21 ~~written warning that was ultimately resolved by removal of the~~
22 ~~warning by the commissioner is not deemed to be a warning. The~~
23 ~~commissioner must notify the distributor of the date and time of~~
24 ~~a hearing pursuant to chapter 14 at least 20 days before the~~
25 ~~hearing is held. The hearing must provide an opportunity for~~
26 ~~the distributor to show cause why the license should not be~~
27 ~~revoked. If the commissioner revokes a distributor's license,~~
28 ~~the commissioner shall not issue a new license to that~~
29 ~~distributor for 180 days.~~

30 **[EFFECTIVE DATE.]** This section is effective the day
31 following final enactment.

32 Sec. 17. Minnesota Statutes 2004, section 473.843,
33 subdivision 5, is amended to read:

34 Subd. 5. **[PENALTIES; ENFORCEMENT.]** The audit, penalty, and
35 enforcement provisions applicable to corporate franchise taxes
36 imposed under chapter 290 apply to the fees imposed under this

1 section. The commissioner of revenue shall administer the
2 provisions.

3 [EFFECTIVE DATE.] This section is effective the day
4 following final enactment.

1 ARTICLE ..

2 LOCAL DEVELOPMENT

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

5 Subd. 3. [BUSINESS SUBSIDY.] "Business subsidy" or
6 "subsidy" means a state or local government agency grant,
7 contribution of personal property, real property,
8 infrastructure, the principal amount of a loan at rates below
9 those commercially available to the recipient, any reduction or
10 deferral of any tax or any fee, any guarantee of any payment
11 under any loan, lease, or other obligation, or any preferential
12 use of government facilities given to a business.

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

15 (1) a business subsidy of less than \$25,000;

16 (2) assistance that is generally available to all
17 businesses or to a general class of similar businesses, such as
18 a line of business, size, location, or similar general criteria;

19 (3) public improvements to buildings or lands owned by the
20 state or local government that serve a public purpose and do not
21 principally benefit a single business or defined group of
22 businesses at the time the improvements are made;

23 (4) redevelopment property polluted by contaminants as
24 defined in section 116J.552, subdivision 3;

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

6 (6) assistance to provide job readiness and training
7 services if the sole purpose of the assistance is to provide
8 those services, except when such assistance is paid for by
9 expenditures of tax increments under section 469.176,
10 subdivision 4m;

11 (7) assistance for housing;

12 (8) assistance for pollution control or abatement,
13 including assistance for a tax increment financing hazardous
14 substance subdistrict as defined under section 469.174,
15 subdivision 23;

16 (9) assistance for energy conservation;

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

19 (11) workers' compensation and unemployment compensation;

20 (12) benefits derived from regulation;

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

23 (14) funds from bonds allocated under chapter 474A, bonds
24 issued to refund outstanding bonds, and bonds issued for the
25 benefit of an organization described in section 501(c)(3) of the
26 Internal Revenue Code of 1986, as amended through December 31,
27 1999;

28 (15) assistance for a collaboration between a Minnesota
29 higher education institution and a business;

30 (16) assistance for a tax increment financing soils
31 condition district as defined under section 469.174, subdivision
32 19;

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

36 (18) general changes in tax increment financing law and

1 other general tax law changes of a principally technical nature;
2 (19) federal assistance until the assistance has been
3 repaid to, and reinvested by, the state or local government
4 agency;

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

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

9 (22) federal loan funds provided through the United States
10 Department of Commerce, Economic Development Administration.

11 Sec. 2. Minnesota Statutes 2004, section 116J.993, is
12 amended by adding a subdivision to read:

13 Subd. 8. [RESIDENCE.] "Residence" means the place where an
14 individual has established a permanent home from which the
15 individual has no present intention of moving.

16 Sec. 3. Minnesota Statutes 2004, section 116J.994,
17 subdivision 4, is amended to read:

18 Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in
19 addition to any other goals, must include: (1) goals for the
20 number of jobs created, which may include separate goals for the
21 number of part-time or full-time jobs, or, in cases where job
22 loss is specific and demonstrable, goals for the number of jobs
23 retained; (2) wage goals for any jobs created or retained; and
24 (3) wage goals for any jobs to be enhanced through increased
25 wages. After a public hearing, if the creation or retention of
26 jobs is determined not to be a goal, the wage and job goals may
27 be set at zero. The goals for the number of jobs to be created
28 or retained must result in job creation or retention by the
29 recipient within the granting jurisdiction overall.

30 In addition to other specific goal time frames, the wage
31 and job goals must contain specific goals to be attained within
32 two years of the benefit date.

33 [EFFECTIVE DATE.] This section is effective August 1, 2005,
34 and applies to subsidy agreements entered into on or after that
35 date.

36 Sec. 4. Minnesota Statutes 2004, section 116J.994,

1 subdivision 5, is amended to read:

2 Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting
3 a business subsidy that exceeds \$500,000 for a state government
4 grantor and \$100,000 for a local government grantor, the grantor
5 must provide public notice and a hearing on the subsidy. A
6 public hearing and notice under this subdivision is not required
7 if a hearing and notice on the subsidy is otherwise required by
8 law.

9 (b) Public notice of a proposed business subsidy under this
10 subdivision by a state government grantor, other than the Iron
11 Range Resources and Rehabilitation Board, must be published in
12 the State Register. Public notice of a proposed business
13 subsidy under this subdivision by a local government grantor or
14 the Iron Range Resources and Rehabilitation Board must be
15 published in a local newspaper of general circulation. The
16 public notice must identify the location at which information
17 about the business subsidy, including a summary of the terms of
18 the subsidy, is available. Published notice should be
19 sufficiently conspicuous in size and placement to distinguish
20 the notice from the surrounding text. The grantor must make the
21 information available in printed paper copies and, if possible,
22 on the Internet. The government agency must provide at least a
23 ten-day notice for the public hearing.

24 (c) The public notice must include the date, time, and
25 place of the hearing.

26 (d) The public hearing by a state government grantor other
27 than the Iron Range Resources and Rehabilitation Board must be
28 held in St. Paul.

29 (e) If more than one nonstate grantor provides a business
30 subsidy to the same recipient, the nonstate grantors may
31 designate one nonstate grantor to hold a single public hearing
32 regarding the business subsidies provided by all nonstate
33 grantors. For the purposes of this paragraph, "nonstate
34 grantor" includes the iron range resources and rehabilitation
35 board.

36 (f) The public notice of any public meeting about a

1 business subsidy agreement, including those required by this
2 subdivision and by subdivision 4, must include notice that a
3 person with residence in or the owner of taxable property in the
4 granting jurisdiction may file a written complaint with the
5 grantor if the grantor fails to comply with sections 116J.993 to
6 116J.995, and that no action may be filed against the grantor
7 for such failure to comply unless a written complaint is filed.

8 Sec. 5. Minnesota Statutes 2004, section 116J.994,
9 subdivision 9, is amended to read:

10 Subd. 9. [COMPILATION AND SUMMARY REPORT.] The Department
11 of Employment and Economic Development must publish a
12 compilation and summary of the results of the reports for the
13 previous two calendar years by December 1 of 2004 and every
14 other year thereafter. The reports of the government agencies
15 to the department and the compilation and summary report of the
16 department must be made available to the public. The
17 commissioner must make copies of all business subsidy reports
18 submitted by local and state granting agencies available on the
19 department's Web site by October 1 of the year in which they
20 were submitted.

21 The commissioner must coordinate the production of reports
22 so that useful comparisons across time periods and across
23 grantors can be made. The commissioner may add other
24 information to the report as the commissioner deems necessary to
25 evaluate business subsidies. Among the information in the
26 summary and compilation report, the commissioner must include:

27 (1) total amount of subsidies awarded in each development
28 region of the state;

29 (2) distribution of business subsidy amounts by size of the
30 business subsidy;

31 (3) distribution of business subsidy amounts by time
32 category;

33 (4) distribution of subsidies by type and by public
34 purpose;

35 (5) percent of all business subsidies that reached their
36 goals;

1 (6) percent of business subsidies that did not reach their
2 goals by two years from the benefit date;

3 (7) total dollar amount of business subsidies that did not
4 meet their goals after two years from the benefit date;

5 (8) percent of subsidies that did not meet their goals and
6 that did not receive repayment;

7 (9) list of recipients that have failed to meet the terms
8 of a subsidy agreement in the past five years and have not
9 satisfied their repayment obligations;

10 (10) number of part-time and full-time jobs within separate
11 bands of wages; and

12 (11) benefits paid within separate bands of wages.

13 Sec. 6. Minnesota Statutes 2004, section 116J.994, is
14 amended by adding a subdivision to read:

15 Subd. 11. [ENFORCEMENT.] (a) A person with residence in or
16 an owner of taxable property located in the jurisdiction of the
17 grantor may bring an action for equitable relief arising out of
18 the failure of the grantor to comply with sections 116J.993 to
19 116J.995. The court may award a prevailing party in an action
20 under this subdivision costs and reasonable attorney fees.

21 (b) Prior to bringing an action, the party must file a
22 written complaint with the grantor stating the alleged violation
23 and proposing a remedy. The grantor has up to 30 days to reply
24 to the complaint in writing and may take action to comply with
25 sections 116J.993 to 116J.995.

26 (c) The written complaint under this subdivision for
27 failure to comply with subdivisions 1 to 5, must be filed with
28 the grantor within 180 days after approval of the subsidy
29 agreement under subdivision 3, paragraph (d). An action under
30 this subdivision must be commenced within 30 days following
31 receipt of the grantor's reply, or within 180 days after
32 approval of the subsidy agreement under subdivision 3, paragraph
33 (d), whichever is later.

34 [EFFECTIVE DATE.] This section is effective August 1, 2005,
35 and applies to subsidy agreements entered into on or after that
36 date.

1 Sec. 7. Minnesota Statutes 2004, section 161.1231, is
2 amended by adding a subdivision to read:

3 Subd. 11. [TRANSFER OF OWNERSHIP.] The commissioner shall,
4 at the earliest feasible date after receiving payment, transfer
5 ownership of the parking facilities to the city of Minneapolis.
6 The payment must be equal to the amount of state funds spent by
7 the commissioner for construction of the facilities. Upon
8 assuming ownership of the facilities, the city shall operate the
9 facilities in accordance with the rules adopted by the
10 commissioner under subdivision 2. Upon assumption of ownership,
11 the city shall assume the authority to collect fees for use of
12 the facilities under subdivision 5. The commissioner shall take
13 no action under this section that would result in federal
14 sanctions against Minnesota or require the repayment of any
15 state funds to the federal government. The commissioner shall
16 deposit all money received under this subdivision in the trunk
17 highway fund.

18 [EFFECTIVE DATE.] This section is effective the day after
19 the governing body of the city of Minneapolis and its chief
20 clerical officer comply with Minnesota Statutes, section
21 645.021, subdivisions 2 and 3.

22 Sec. 8. Minnesota Statutes 2004, section 469.034,
23 subdivision 2, is amended to read:

24 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
25 authority may pledge the general obligation of the general
26 jurisdiction governmental unit as additional security for bonds
27 payable from income or revenues of the project or the
28 authority. The authority must find that the pledged revenues
29 will equal or exceed 110 percent of the principal and interest
30 due on the bonds for each year. The proceeds of the bonds must
31 be used for a qualified housing development project or
32 projects. The obligations must be issued and sold in the manner
33 and following the procedures provided by chapter 475, except the
34 obligations are not subject to approval by the electors and the
35 maturities may extend to not more than 30 years from the
36 estimated date of completion of the project. The authority is

1 the municipality for purposes of chapter 475.

2 (b) The principal amount of the issue must be approved by
3 the governing body of the general jurisdiction governmental unit
4 whose general obligation is pledged. Public hearings must be
5 held on issuance of the obligations by both the authority and
6 the general jurisdiction governmental unit. The hearings must
7 be held at least 15 days, but not more than 120 days, before the
8 sale of the obligations.

9 (c) The maximum amount of general obligation bonds that may
10 be issued and outstanding under this section equals the greater
11 of (1) one-half of one percent of the taxable market value of
12 the general jurisdiction governmental unit whose general
13 obligation which includes a tax on property is pledged, or (2)
14 \$3,000,000. In the case of county or multicounty general
15 obligation bonds, the outstanding general obligation bonds of
16 all cities in the county or counties issued under this
17 subdivision must be added in calculating the limit under clause
18 (1).

19 (d) "General jurisdiction governmental unit" means the city
20 in which the housing development project is located. In the
21 case of a county or multicounty authority, the county or
22 counties may act as the general jurisdiction governmental unit.
23 In the case of a multicounty authority, the pledge of the
24 general obligation is a pledge of a tax on the taxable property
25 in each of the counties.

26 (e) "Qualified housing development project" means a housing
27 development project providing housing either for the elderly or
28 for individuals and families with incomes not greater than 80
29 percent of the median family income as estimated by the United
30 States Department of Housing and Urban Development for the
31 standard metropolitan statistical area or the nonmetropolitan
32 county in which the project is located, ~~and will~~. The project
33 must be owned for the term of the bonds either by the authority
34 for the term of the bonds or by a limited partnership or other
35 entity in which the authority or another entity under the sole
36 control of the authority is the sole general partner. The

1 partnership or other entity must receive either: (1) an
2 allocation from the Department of Finance or an entitlement
3 issuer of tax-exempt bonding authority for the project and a
4 preliminary determination by the Minnesota Housing Finance
5 Agency or the applicable suballocator of tax credits that the
6 project will qualify for four percent low-income housing tax
7 credits; or (2) a reservation of nine percent low-income housing
8 tax credits from the Minnesota Housing Finance Agency or a
9 suballocator of tax credits for the project. A qualified
10 housing development project may admit nonelderly individuals and
11 families with higher incomes if:

- 12 (1) three years have passed since initial occupancy;
13 (2) the authority finds the project is experiencing
14 unanticipated vacancies resulting in insufficient revenues,
15 because of changes in population or other unforeseen
16 circumstances that occurred after the initial finding of
17 adequate revenues; and
18 (3) the authority finds a tax levy or payment from general
19 assets of the general jurisdiction governmental unit will be
20 necessary to pay debt service on the bonds if higher income
21 individuals or families are not admitted.

22 **[EFFECTIVE DATE.]** This section is effective for bonds
23 issued after the day following final enactment.

24 Sec. 9. Minnesota Statutes 2004, section 469.174, is
25 amended by adding a subdivision to read:

26 Subd. 30. [URBAN RENEWAL AREA.] "Urban renewal area" means
27 a contiguous geographic area designated within a project and
28 within which all parcels must be eligible for inclusion in a
29 redevelopment, renewal and renovation, or soils condition
30 district or are currently located within a redevelopment,
31 renewal and renovation, or soils condition district certified
32 within ten years before or after the date of approval of the
33 urban renewal area by the city or county, whichever is later.
34 In determining eligibility for inclusion in a district, each
35 parcel may only be considered as a part of one district.

36 **[EFFECTIVE DATE.]** This section is effective for urban

1 renewal areas established on or after the date of final
2 enactment.

3 Sec. 10. Minnesota Statutes 2004, section 469.175,
4 subdivision 1, is amended to read:

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

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

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

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

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

22 (5) estimates of the following:

23 (i) cost of the project, including administrative expenses,
24 except that if part of the cost of the project is paid or
25 financed with increment from the tax increment financing
26 district, the tax increment financing plan for the district must
27 contain an estimate of the amount of the cost of the project,
28 including administrative expenses, that will be paid or financed
29 with tax increments from the district;

30 (ii) amount of bonded indebtedness to be incurred;

31 (iii) sources of revenue to finance or otherwise pay public
32 costs;

33 (iv) the most recent net tax capacity of taxable real
34 property within the tax increment financing district and within
35 any subdistrict;

36 (v) the estimated captured net tax capacity of the tax

1 increment financing district at completion; and

2 (vi) the duration of the tax increment financing district's
3 and any subdistrict's existence;

4 (6) statements of the authority's alternate estimates of
5 the impact of tax increment financing on the net tax capacities
6 of all taxing jurisdictions in which the tax increment financing
7 district is located in whole or in part. For purposes of one
8 statement, the authority shall assume that the estimated
9 captured net tax capacity would be available to the taxing
10 jurisdictions without creation of the district, and for purposes
11 of the second statement, the authority shall assume that none of
12 the estimated captured net tax capacity would be available to
13 the taxing jurisdictions without creation of the district or
14 subdistrict;

15 (7) identification and description of studies and analyses
16 used to make the determination set forth in subdivision 3,
17 clause (2); and

18 (8) identification of all parcels to be included in the
19 district or any subdistrict; and

20 (9) identification of any job training costs intended to be
21 paid by use of tax increments, including the name of the
22 employer whose employees will be trained and the nature and cost
23 of the training. The plan is not required to identify the
24 provider of the job training.

25 [EFFECTIVE DATE.] This section applies to districts for
26 which the request for certification was made after July 31,
27 1979, and is effective for tax increment financing plans
28 approved after June 30, 2005.

29 Sec. 11. Minnesota Statutes 2004, section 469.175,
30 subdivision 4, is amended to read:

31 Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment
32 financing plan may be modified by an authority.

33 (b) The authority may make the following modifications only
34 upon the notice and after the discussion, public hearing, and
35 findings required for approval of the original plan:

36 (1) any reduction or enlargement of geographic area of the

1 project or tax increment financing district that does not meet
2 the requirements of paragraph (e);

3 (2) increase in amount of bonded indebtedness to be
4 incurred;

5 (3) a determination to capitalize interest on the debt if
6 that determination was not a part of the original plan, or to
7 increase or decrease the amount of interest on the debt to be
8 capitalized;

9 (4) increase in the portion of the captured net tax
10 capacity to be retained by the authority;

11 (5) increase in the estimate of the cost of the project,
12 including administrative expenses, that will be paid or financed
13 with tax increment from the district; ~~or~~

14 (6) designation of additional property to be acquired by
15 the authority; or

16 (7) a decision to pay for job training for employees of a
17 business located in the district that was not a part of the
18 original plan.

19 (c) If an authority changes the type of district to another
20 type of district, this change is not a modification but requires
21 the authority to follow the procedure set forth in sections
22 469.174 to 469.179 for adoption of a new plan, including
23 certification of the net tax capacity of the district by the
24 county auditor.

25 (d) If a redevelopment district or a renewal and renovation
26 district is enlarged, the reasons and supporting facts for the
27 determination that the addition to the district meets the
28 criteria of section 469.174, subdivision 10, paragraph (a),
29 clauses (1) and (2), or subdivision 10a, must be documented.

30 (e) The requirements of paragraph (b) do not apply if (1)
31 the only modification is elimination of parcels from the project
32 or district and (2) (A) the current net tax capacity of the
33 parcels eliminated from the district equals or exceeds the net
34 tax capacity of those parcels in the district's original net tax
35 capacity or (B) the authority agrees that, notwithstanding
36 section 469.177, subdivision 1, the original net tax capacity

1 will be reduced by no more than the current net tax capacity of
2 the parcels eliminated from the district. The authority must
3 notify the county auditor of any modification that reduces or
4 enlarges the geographic area of a district or a project area.

5 (f) The geographic area of a tax increment financing
6 district may be reduced, but shall not be enlarged after five
7 years following the date of certification of the original net
8 tax capacity by the county auditor or after August 1, 1984, for
9 tax increment financing districts authorized prior to August 1,
10 1979.

11 [EFFECTIVE DATE.] This section is effective for districts
12 for which the request for certification was made after July 31,
13 1979, and is effective for modifications made after June 30,
14 2005.

15 Sec. 12. Minnesota Statutes 2004, section 469.175,
16 subdivision 6, is amended to read:

17 Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state
18 auditor shall develop a uniform system of accounting and
19 financial reporting for tax increment financing districts. The
20 system of accounting and financial reporting shall, as nearly as
21 possible:

22 (1) provide for full disclosure of the sources and uses of
23 public funds in the district;

24 (2) permit comparison and reconciliation with the affected
25 local government's accounts and financial reports;

26 (3) permit auditing of the funds expended on behalf of a
27 district, including a single district that is part of a
28 multidistrict project or that is funded in part or whole through
29 the use of a development account funded with tax increments from
30 other districts or with other public money;

31 (4) be consistent with generally accepted accounting
32 principles.

33 (b) The authority must annually submit to the state auditor
34 a financial report in compliance with paragraph (a). Copies of
35 the report must also be provided to the county auditor and to
36 the governing body of the municipality, if the authority is not

1 the municipality. To the extent necessary to permit compliance
2 with the requirement of financial reporting, the county and any
3 other appropriate local government unit or private entity must
4 provide the necessary records or information to the authority or
5 the state auditor as provided by the system of accounting and
6 financial reporting developed pursuant to paragraph (a). The
7 authority must submit the annual report for a year on or before
8 August 1 of the next year.

9 (c) The annual financial report must also include the
10 following items:

11 (1) the original net tax capacity of the district and any
12 subdistrict under section 469.177, subdivision 1;

13 (2) the net tax capacity for the reporting period of the
14 district and any subdistrict;

15 (3) the captured net tax capacity of the district;

16 (4) any fiscal disparity deduction from the captured net
17 tax capacity under section 469.177, subdivision 3;

18 (5) the captured net tax capacity retained for tax
19 increment financing under section 469.177, subdivision 2,
20 paragraph (a), clause (1);

21 (6) any captured net tax capacity distributed among
22 affected taxing districts under section 469.177, subdivision 2,
23 paragraph (a), clause (2);

24 (7) the type of district;

25 (8) the date the municipality approved the tax increment
26 financing plan and the date of approval of any modification of
27 the tax increment financing plan, the approval of which requires
28 notice, discussion, a public hearing, and findings under
29 subdivision 4, paragraph (a);

30 (9) the date the authority first requested certification of
31 the original net tax capacity of the district and the date of
32 the request for certification regarding any parcel added to the
33 district;

34 (10) the date the county auditor first certified the
35 original net tax capacity of the district and the date of
36 certification of the original net tax capacity of any parcel

1 added to the district;

2 (11) the month and year in which the authority has received
3 or anticipates it will receive the first increment from the
4 district;

5 (12) the date the district must be decertified;

6 (13) for the reporting period and prior years of the
7 district, the actual amount received from, at least, the
8 following categories:

9 (i) tax increments paid by the captured net tax capacity
10 retained for tax increment financing under section 469.177,
11 subdivision 2, paragraph (a), clause (1), but excluding any
12 excess taxes;

13 (ii) tax increments that are interest or other investment
14 earnings on or from tax increments;

15 (iii) tax increments that are proceeds from the sale or
16 lease of property, tangible or intangible, purchased by the
17 authority with tax increments;

18 (iv) tax increments that are repayments of loans or other
19 advances made by the authority with tax increments;

20 (v) bond or loan proceeds;

21 (vi) special assessments;

22 (vii) grants; and

23 (viii) transfers from funds not exclusively associated with
24 the district;

25 (14) for the reporting period and for the prior years of
26 the district, the actual amount expended for, at least, the
27 following categories:

28 (i) acquisition of land and buildings through condemnation
29 or purchase;

30 (ii) site improvements or preparation costs;

31 (iii) installation of public utilities, parking facilities,
32 streets, roads, sidewalks, or other similar public improvements;

33 (iv) administrative costs, including the allocated cost of
34 the authority;

35 (v) public park facilities, facilities for social,
36 recreational, or conference purposes, or other similar public

1 improvements; and

2 (vi) transfers to funds not exclusively associated with the
3 district; and

4 (vii) job training as permitted under section 469.176,
5 subdivision 4m;

6 (15) for properties sold to developers, the total cost of
7 the property to the authority and the price paid by the
8 developer;

9 (16) the amount of any payments and the value of any
10 in-kind benefits, such as physical improvements and the use of
11 building space, that are paid or financed with tax increments
12 and are provided to another governmental unit other than the
13 municipality during the reporting period;

14 (17) the amount of any payments for activities and
15 improvements located outside of the district that are paid for
16 or financed with tax increments;

17 (18) the amount of payments of principal and interest that
18 are made during the reporting period on any nondefeased:

19 (i) general obligation tax increment financing bonds;

20 (ii) other tax increment financing bonds; and

21 (iii) notes and pay-as-you-go contracts;

22 (19) the principal amount, at the end of the reporting
23 period, of any nondefeased:

24 (i) general obligation tax increment financing bonds;

25 (ii) other tax increment financing bonds; and

26 (iii) notes and pay-as-you-go contracts;

27 (20) the amount of principal and interest payments that are
28 due for the current calendar year on any nondefeased:

29 (i) general obligation tax increment financing bonds;

30 (ii) other tax increment financing bonds; and

31 (iii) notes and pay-as-you-go contracts;

32 (21) if the fiscal disparities contribution under chapter
33 276A or 473F for the district is computed under section 469.177,
34 subdivision 3, paragraph (a), the amount of increased property
35 taxes imposed on other properties in the municipality that
36 approved the tax increment financing plan as a result of the

1 fiscal disparities contribution;

2 (22) whether the tax increment financing plan or other
3 governing document permits increment revenues to be expended:

4 (i) to pay bonds, the proceeds of which were or may be
5 expended on activities outside of the district;

6 (ii) for deposit into a common bond fund from which money
7 may be expended on activities located outside of the district;
8 or

9 (iii) to otherwise finance activities located outside of
10 the tax increment financing district;

11 (23) the estimate, if any, contained in the tax increment
12 financing plan of the amount of the cost of the project,
13 including administrative expenses, that will be paid or financed
14 with tax increment; and

15 (24) any additional information the state auditor may
16 require.

17 (d) The commissioner of revenue shall prescribe the method
18 of calculating the increased property taxes under paragraph (c),
19 clause (21), and the form of the statement disclosing this
20 information on the annual statement under subdivision 5.

21 (e) The reporting requirements imposed by this subdivision
22 apply to districts certified before, on, and after August 1,
23 1979.

24 [EFFECTIVE DATE.] This section is effective for reports
25 filed in 2006 and thereafter.

26 Sec. 13. Minnesota Statutes 2004, section 469.176,
27 subdivision 1c, is amended to read:

28 Subd. 1c. [DURATION LIMITS; PRE-1979 DISTRICTS.] (a) For
29 tax increment financing districts created prior to August 1,
30 1979, no tax increment shall be paid to the authority after
31 April 1, 2001, or the term of a nondefeased bond or obligation
32 outstanding on April 1, 1990, secured by increments from the
33 district or project area, whichever time is greater, provided
34 that in no case will a tax increment be paid to an authority
35 after August 1, 2009, from such a district. If a district's
36 termination date is extended beyond April 1, 2001, because bonds

1 were outstanding on April 1, 1990, with maturities extending
2 beyond April 1, 2001, the following restrictions apply. No
3 increment collected from the district may be expended after
4 April 1, 2001, except to pay or repay:

5 (1) bonds issued before April 1, 1990;

6 (2) bonds issued to refund the principal of the outstanding
7 bonds and pay associated issuance costs;

8 (3) administrative expenses of the district required to be
9 paid under section 469.176, subdivision 4h, paragraph (a);

10 (4) transfers of increment permitted under section
11 469.1763, subdivision 6; and

12 (5) any advance or payment made by the municipality or the
13 authority after June 1, 2002, to pay any bonds listed in clause
14 (1) or (2); and

15 (6) amounts authorized under paragraph (d).

16 (b) Each year, any increments from a district subject to
17 this subdivision must be first applied to pay obligations listed
18 under paragraph (a), clauses (1) and (2), and administrative
19 expenses under paragraph (a), clause (3). Any remaining
20 increments may be used for transfers of increments permitted
21 under section 469.1763, subdivision 6, and to make payments
22 under paragraph paragraphs (a), clause (5), and (d).

23 (c) When sufficient money has been received to pay in full
24 or defease obligations under paragraph (a), clauses (1), (2),
25 and (5), and no spending is permitted by paragraph (d) for the
26 year, the tax increment project or district must be decertified.

27 (d) In addition to the expenditures authorized under
28 paragraph (a), clauses (1) to (5), a city may expend increments
29 from a tax increment financing district subject to this
30 subdivision after April 1, 2001, if all of the following
31 conditions are met:

32 (1) the captured tax capacity for all tax increment
33 financing districts constituted less than six percent of the
34 city's total tax capacity for taxes payable in 2003; and

35 (2) the population of the city exceeds 50,000.

36 [EFFECTIVE DATE.] This section is effective for tax

1 increment financing districts for which the request for
2 certification was made before August 1, 1979.

3 Sec. 14. Minnesota Statutes 2004, section 469.176, is
4 amended by adding a subdivision to read:

5 Subd. 4m. [USE OF INCREMENTS FOR JOB
6 TRAINING.] Notwithstanding the limits on use of increments in
7 subdivision 4, 4b, 4c, or 4j, increments may be expended for job
8 training that is intended to result in new job growth within a
9 tax increment financing district. The authority may expend
10 increments directly for the cost of the job training or may
11 reimburse an employer located within the district or a
12 municipality in which the district is located for job training
13 expenditures. Increments may be expended only for job training
14 programs that are approved for this purpose by the local
15 workforce council established under section 268.666 that has
16 jurisdiction over the workforce service area that includes the
17 tax increment financing district. For purposes of section
18 469.1763, increments expended under this subdivision are
19 considered to be expended on activities in the district.

20 [EFFECTIVE DATE.] This section is effective for districts
21 for which the request for certification was made after July 31,
22 1979, provided that districts for which the request for
23 certification was made before the effective date of this act
24 must modify their plans to provide for this expenditure.

25 Sec. 15. Minnesota Statutes 2004, section 469.176, is
26 amended by adding a subdivision to read:

27 Subd. 8. [URBAN RENEWAL AREA.] (a) An authority may create
28 an urban renewal area only upon the notice and after the
29 discussion, public hearing, and findings required for approval
30 of the original project. In addition, the authority must obtain
31 written approval from the county in which the urban renewal area
32 is to be located. After approval by the city and county, the
33 authority shall notify the commissioner of revenue of the
34 approved urban renewal area.

35 (b) All provisions of sections 469.174 through 469.1799
36 apply except:

1 (1) the five-year rule under section 469.1763, subdivision
2 3, is extended to ten years;

3 (2) the limitation on spending increment outside of the
4 district under section 469.1763, subdivision 2, does not apply,
5 provided that increments may only be expended on improvements or
6 activities within the urban renewal area, and increments from a
7 soils condition district must be expended as provided under
8 subdivision 4b; and

9 (3) the local tax rate certification required under section
10 469.177, subdivision 1a, does not apply.

11 [EFFECTIVE DATE.] This section is effective for urban
12 renewal areas established on or after the date of final
13 enactment.

14 Sec. 16. Minnesota Statutes 2004, section 469.1761, is
15 amended by adding a subdivision to read:

16 Subd. 3a. [MIXED-INCOME OCCUPANCY PROJECTS.] (a)
17 Notwithstanding the income requirements in subdivisions 2 and 3,
18 or section 469.174, subdivision 11, an authority may create
19 housing districts for developments that contain both
20 owner-occupied and residential rental units for mixed-income
21 occupancy. Such a district consists of a project, or a portion
22 of a project, intended for occupancy, in part, by persons of low
23 and moderate income as defined in chapter 462A, title II, of the
24 National Housing Act of 1934; the National Housing Act of 1959;
25 the United States Housing Act of 1937, as amended; title V of
26 the Housing Act of 1949, as amended; any other similar present
27 or future federal, state, or municipal legislation, or the
28 regulations promulgated under any of those acts, as further
29 specified in this section. Twenty percent of the units in the
30 development in the housing district must be occupied by
31 individuals whose family income is equal to or less than 50
32 percent of area median gross income, and an additional 60
33 percent of the units in the development in the housing district
34 must be occupied by individuals whose family income is equal to
35 or less than 115 percent of area median gross income. Twenty
36 percent of the units in the development in the housing district

1 are not required to be subject to any income limitations.

2 (b) For purposes of this subdivision, "family income" means
3 the median gross income for the area as determined under section
4 42 of the Internal Revenue Code of 1986, as amended. The income
5 requirements of this subdivision are satisfied if the sum of
6 qualified owner-occupied units and qualified residential rental
7 units equals the required total number of qualified units.
8 Owner-occupied units must be initially purchased and occupied by
9 individuals whose family income satisfies the income
10 requirements of this subdivision. For residential rental
11 property, the income requirements of this subdivision apply for
12 the duration of the tax increment district.

13 (c) The development in the housing district, but not the
14 project, does not qualify under this subdivision if the fair
15 market value of the improvements that are constructed for
16 commercial uses or for uses other than owner-occupied and rental
17 mixed-income housing consists of more than 20 percent of the
18 total fair market value of the planned improvements in the
19 development plan or agreement. The fair market value of the
20 improvements may be determined using the cost of construction,
21 capitalized income, or other appropriate method of estimating
22 market value.

23 [EFFECTIVE DATE.] This section is effective for districts
24 for which certification is requested after July 31, 2005.

25 Sec. 17. Minnesota Statutes 2004, section 469.1792, is
26 amended to read:

27 469.1792 [SPECIAL DEFICIT AUTHORITY.]

28 Subdivision 1. [SCOPE.] This section applies only to an
29 authority with a preexisting district for which:

30 (1) the increments from the district were insufficient to
31 pay preexisting obligations as a result of the class rate
32 changes or the elimination of the state-determined general
33 education property tax levy under this act, or both; or

34 (2)(i) the development authority has a binding contract,
35 entered into before August 1, 2001, with a person requiring the
36 authority to pay to the person an amount that may not exceed the

1 increment from the district or a specific development within the
2 district; and

3 (ii) the authority is unable to pay the full amount under
4 the contract from the pledged increments or other increments
5 from the district that would have been due if the class rate
6 changes or elimination of the state-determined general education
7 property tax levy or both had not been made under Laws 2001,
8 First Special Session chapter 5;

9 (3) the authority amends its tax increment financing plan
10 to establish an affordable housing account to which increments
11 are pledged; or

12 (4) the authority amends its tax increment financing plan
13 to establish a hazardous substance, pollutant, or contaminant
14 remediation account to which increments are pledged.

15 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
16 the following terms have the meanings given.

17 (b) "Affordable housing account" means an account in which
18 increment is deposited solely for affordable housing activities
19 as defined in section 469.174, subdivision 11.

20 (c) "Hazardous substance, pollutant, or contaminant
21 remediation account" means an account in which increment is
22 deposited solely for removal or remediation activities described
23 in section 469.174, subdivisions 16 to 19.

24 ~~(b)~~ (d) "Preexisting district" means a tax increment
25 financing district for which the request for certification was
26 made before August 1, 2001.

27 ~~(e)~~ (e) "Preexisting obligation" means a bond or binding
28 contract that:

29 (1) (i) was issued or approved before August 1, 2001, or was
30 issued pursuant to a binding contract entered into before July
31 1, 2001; or

32 (ii) was issued to refinance an obligation under item (i),
33 if the refinancing does not increase the present value of the
34 debt service; and

35 (2) is secured by increments from a preexisting district.

36 Subd. 3. [ACTIONS AUTHORIZED.] (a) An authority with a

1 district qualifying under this section may take either or both
2 of the following actions for any or all of its preexisting
3 districts:

4 (1) the authority may elect that the original local tax
5 rate under section 469.177, subdivision 1a, does not apply to
6 the district; and

7 (2) the authority may elect the fiscal disparities
8 contribution will be computed under section 469.177, subdivision
9 3, paragraph (a), regardless of the election that was made for
10 the district or if the district is an economic development
11 district for which the request for certification was made after
12 June 30, 1997.

13 (b) The authority may take action under this subdivision
14 only after the municipality approves the action, by resolution,
15 after notice and public hearing in the manner provided under
16 section 469.175, subdivision 3. To be effective for taxes
17 payable in the following year, the resolution must be adopted
18 and the county auditor must be notified of the adoption on or
19 before July 1.

20 Subd. 4. [EXPENDITURES FROM AFFORDABLE HOUSING
21 ACCOUNTS.] Increment from an affordable housing account may be
22 spent by an authority anywhere within its area of operation.
23 Notwithstanding the definition of a project under section
24 469.174, increments may be spent to assist housing that meets
25 the requirements under section 469.1761. The limitation imposed
26 by section 469.1763, subdivision 2, does not apply to any
27 transfers of increment to the affordable housing account to the
28 extent that the amount transferred to the account under this
29 subdivision does not exceed ten percent of the revenue derived
30 from tax increments paid by properties in the district in the
31 year.

32 Subd. 5. [EXPENDITURES FROM HAZARDOUS SUBSTANCE,
33 POLLUTANT, OR CONTAMINANT REMEDIATION ACCOUNT.] Increment from a
34 hazardous substance, pollutant, or contaminant remediation
35 account may be spent by an authority anywhere within its area of
36 operation. Notwithstanding the definition of a project under

1 section 469.174, increments may be expended to remediation and
2 removal activities that meet the requirements of section
3 469.176, subdivision 4b or 4e. The limitation imposed by
4 section 469.1763, subdivision 2, does not apply to any transfers
5 of increment to the hazardous substance, pollutant, or
6 contaminant remediation account to the extent that the amount
7 transferred to the account under this subdivision does not
8 exceed ten percent of the revenue derived from tax increments
9 paid by properties in the district in the year.

10 [EFFECTIVE DATE.] This section is effective for actions
11 taken and resolutions approved after June 30, 2005.

12 Sec. 18. Minnesota Statutes 2004, section 469.310,
13 subdivision 11, is amended to read:

14 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business"
15 means a person carrying on a trade or business at a place of
16 business located within a job opportunity building zone.

17 (b) A person that relocates a trade or business from
18 outside a job opportunity building zone into a zone is not a
19 qualified business, unless the business:

20 (1)(i) increases full-time employment in the first full
21 year of operation within the job opportunity building zone by at
22 least 20 percent measured relative to the operations that were
23 relocated and maintains the required level of employment for
24 each year the zone designation applies; or

25 (ii) makes a capital investment in the property located
26 within a zone equivalent to ten percent of the gross revenues of
27 operation that were relocated in the immediately preceding
28 taxable year; and

29 (2) enters a binding written agreement with the
30 commissioner that:

31 (i) pledges the business will meet the requirements of
32 clause (1);

33 (ii) provides for repayment of all tax benefits enumerated
34 under section 469.315 to the business under the procedures in
35 section 469.319, if the requirements of clause (1) are not met
36 for the taxable year or for taxes payable during the year in

1 which the requirements were not met; and

2 (iii) contains any other terms the commissioner determines
3 appropriate.

4 (c) A business is not a qualified business if at its
5 location or locations in the zone, the business is primarily
6 engaged in making retail sales to purchasers who are physically
7 present at the business's zone location.

8 [EFFECTIVE DATE.] This section is effective the day
9 following final enactment and applies to any business entering a
10 business subsidy agreement for a job opportunity development
11 zone after that date.

12 Sec. 19. Laws 1994, chapter 587, article 9, section 20,
13 subdivision 1, is amended to read:

14 Subdivision 1. [ESTABLISHMENT.] The city of Brooklyn Park
15 may establish an economic development tax increment financing
16 district in which ~~±5-percent~~ all of the revenue generated from
17 tax increment in any year that is not expended pursuant to a
18 pledge given or encumbrance created before January 1, 2005, is
19 deposited in the housing development account of the authority
20 and expended according to the tax increment financing plan.

21 Sec. 20. Laws 1994, chapter 587, article 9, section 20,
22 subdivision 2, is amended to read:

23 Subd. 2. [ELIGIBLE ACTIVITIES.] The authority must
24 identify in the plan the housing activities that will be
25 assisted by the housing development account. Housing activities
26 may include rehabilitation, acquisition, demolition, and
27 financing of new or existing single family or multifamily
28 housing. Housing activities listed in the plan need not be
29 located within the district or project area but must be
30 activities that meet the requirements of a qualified housing
31 district under Minnesota Statutes, section ~~273.1399-er~~ 469.1761,
32 subdivision 2, for owner-occupied housing or section 469.174,
33 subdivision 29, clause (1), for rental housing.

34 Sec. 21. Laws 1998, chapter 389, article 11, section 19,
35 subdivision 3, is amended to read:

36 Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the

1 provisions of Minnesota Statutes, section 469.176, subdivision
2 1b, no tax increment may be paid to the authority or the city
3 ~~after 18-years-from-the-date-of-receipt-by-the-authority-of-the~~
4 ~~first-increment-generated-from-the-final-phase-of~~
5 ~~redevelopment.---In-no-case-may-increments-be-paid-to-the~~
6 ~~authority-after~~ 30 years from approval of the tax increment
7 plan. ~~"Final-phase-of-redevelopment"-means-that-phase-of~~
8 ~~redevelopment-activity-which-completes-the-rehabilitation-of-the~~
9 ~~Lake-Street-site.~~

10 [EFFECTIVE DATE.] This section is effective upon compliance
11 with Minnesota Statutes, sections 469.1782, subdivision 2, and
12 645.021, subdivision 2.

13 Sec. 22. [ANOKA COUNTY REGIONAL RAILROAD AUTHORITY
14 POWERS.]

15 Subdivision 1. [ECONOMIC DEVELOPMENT POWERS AND
16 DUTIES.] The Anoka County Regional Railroad Authority may
17 exercise any of the powers and duties of an economic development
18 authority under Minnesota Statutes, sections 469.090, 469.098,
19 and 469.101 to 469.106. The Anoka County Regional Railroad
20 Authority may exercise the powers under Minnesota Statutes,
21 sections 469.001 to 469.047, for the purpose of transit-oriented
22 development, except that the Anoka County Regional Railroad
23 Authority must not exercise the power to tax under Minnesota
24 Statutes, section 469.033, subdivision 6. In applying Minnesota
25 Statutes, sections 469.001 to 469.047, 469.090, 469.098, and
26 469.101 to 469.106, to the Anoka County Regional Railroad
27 Authority, the county is considered to be the city and the
28 county board is considered to be the city council.

29 Subd. 2. [RELATION TO LOCAL AUTHORITIES.] Nothing in
30 subdivision 1 shall change or impair the powers or duties of a
31 city, town, municipal housing and redevelopment authority, or
32 municipal economic development authority.

33 Subd. 3. [LOCAL APPROVAL.] If any economic development
34 project is constructed in the county pursuant to the
35 authorization in this section, the project must be approved by
36 the governing body of each city or town within which the project

1 will be constructed.

2 [EFFECTIVE DATE.] This section is effective the day after
3 the governing body of the Anoka County Regional Railroad
4 Authority and its chief clerical officer timely complete their
5 compliance with Minnesota Statutes, section 645.021,
6 subdivisions 2 and 3.

7 Sec. 23. [CITY OF BROOKLYN CENTER; EXTENSION OF TIME TO
8 EXPEND TAX INCREMENT.]

9 For tax increment financing district number 3, established
10 on December 19, 1994, by Brooklyn Center Resolution No. 94-273,
11 Minnesota Statutes, section 469.1763, subdivision 3, applies to
12 the district by permitting a period of 13 years for commencement
13 of activities within the district.

14 [EFFECTIVE DATE.] This section is effective upon approval
15 by the governing body of the city of Brooklyn Center and
16 compliance with Minnesota Statutes, section 645.021, subdivision
17 3.

18 Sec. 24. [CITY OF BROOKLYN PARK TAX INCREMENT FINANCING
19 DISTRICT EXTENSION.]

20 Notwithstanding Minnesota Statutes, section 469.176,
21 subdivision 1b, or any other law to the contrary, the duration
22 limit that applies to the economic development tax increment
23 financing district established under Laws 1994, chapter 587,
24 article 9, section 20, is extended to December 31, 2020.

25 Sec. 25. [CITY OF DETROIT LAKES; REDEVELOPMENT TAX
26 INCREMENT FINANCING DISTRICT.]

27 Subdivision 1. [AUTHORIZATION.] At the election of the
28 governing body of the city of Detroit Lakes, upon adoption of
29 the tax increment financing plan for the district described in
30 this section, the rules provided under this section apply to
31 each such district.

32 Subd. 2. [DEFINITION.] In this section, "district" means a
33 redevelopment district established by the city of Detroit Lakes
34 or the Detroit Lakes Development Authority within the following
35 area:

36 Beginning at the intersection of Washington Avenue and the

1 Burlington Northern Santa Fe Railroad then east to the
2 intersection of Roosevelt Avenue then south to the intersection
3 of Highway 10/Fraze Street then west to the intersection of
4 Fraze Street and the alley that parallels Washington Avenue
5 then north to the point of beginning.

6 More than one district may be created under this act.

7 Subd. 3. [QUALIFICATION AS REDEVELOPMENT DISTRICT; SPECIAL
8 RULES.] The district shall be a redevelopment district under
9 Minnesota Statutes, section 469.174, subdivision 10. All
10 buildings that are removed to facilitate the Highway 10
11 Realignment Project are deemed to be "structurally
12 substandard." The three-year limit after demolition of the
13 buildings to request tax increment financing certification
14 provided in Minnesota Statutes, section 469.174, subdivision 10,
15 paragraph (d), clause (1), does not apply.

16 Subd. 4. [EXPIRATION.] The authority to approve tax
17 increment financing plans to establish a tax increment financing
18 redevelopment district subject to this section expires on
19 December 31, 2014.

20 Subd. 5. [EFFECTIVE DATE.] This section is effective upon
21 approval of the governing body of the city of Detroit Lakes and
22 compliance with Minnesota Statutes, section 645.021, subdivision
23 3.

24 Sec. 26. [CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX
25 INCREMENT FINANCING DISTRICTS.]

26 Subdivision 1. [AUTHORIZATION.] Notwithstanding the
27 mileage limitation in Minnesota Statutes, section 469.174,
28 subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
29 are deemed to be small cities for purposes of Minnesota
30 Statutes, sections 469.174 to 469.1799, as long as they do not
31 exceed the population limit in that section.

32 Subd. 2. [LOCAL APPROVAL.] This section is effective for
33 each of the cities of Elgin, Eyota, Byron, and Oronoco upon
34 approval of that city's governing body and compliance with
35 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

36 Sec. 27. [CITY OF FAIRMONT; TAX INCREMENT FINANCING

1 DISTRICT.]

2 Subdivision 1. [AUTHORITY TO REDUCE ORIGINAL VALUE.] The
3 city of Fairmont may elect to reduce the original tax capacity
4 of a previously tax-exempt parcel, consisting of property
5 formerly owned by the United States Post Office, in tax
6 increment financing district No. 20, to the value of the land.

7 Subd. 2. [EFFECTIVE DATE.] This section is effective upon
8 compliance by the city of Fairmont with the requirements of
9 Minnesota Statutes, section 645.021.

10 Sec. 28. [CITY OF FERGUS FALLS; ECONOMIC DEVELOPMENT
11 PROPERTY.]

12 The provisions of Minnesota Statutes, section 272.02,
13 subdivision 39, apply to property located in the city of Fergus
14 Falls as if the city had a population of 5,000 or less.

15 [EFFECTIVE DATE.] This section is effective for taxes
16 levied in 2005, payable in 2006, and thereafter.

17 Sec. 29. [CITY OF MINNEAPOLIS; SPECIAL SERVICE DISTRICTS;
18 MANAGEMENT BY NONPROFIT CORPORATIONS.]

19 The city of Minneapolis may elect, in the establishment of
20 a special service district, to provide that the activities of
21 the special service district may be managed by a nonprofit
22 corporation created to assist and act on behalf of the city in
23 implementing and providing services as authorized by Minnesota
24 Statutes, section 428A.02. The ordinance establishing the
25 district may not be adopted until the city certifies that no
26 current city employee is able and available to perform the
27 services called for by the contract and until that certification
28 is verified at the public hearing on the ordinance.

29 If the city intends to contract with a nonprofit
30 corporation to manage a special service district, the notice of
31 the hearing on the ordinance relating to creation of the
32 district must include a statement of that intent, and
33 certification that no city employee is able and available to
34 perform the service that would be provided within the special
35 service district.

36 [EFFECTIVE DATE.] This section is effective for public

1 hearings on ordinances conducted after June 30, 2005, but only
2 after approval by the governing body of the city of Minneapolis
3 and compliance with Minnesota Statutes, section 645.021,
4 subdivision 3.

5 Sec. 30. [CITY OF RICHFIELD; TAX INCREMENT FINANCING
6 DISTRICT.]

7 Subdivision 1. [AUTHORIZATION.] The city of Richfield may
8 create a tax increment financing district consisting of an area
9 lying west of Trunk Highway 77 extending: to 16th Avenue
10 between Crosstown Highway 62 and 66th Street; to 17th Avenue
11 between 66th and 69th Streets; and to 18th Avenue between 69th
12 and 72nd Streets. The city or its housing and redevelopment
13 authority may be the authority for the purposes of Minnesota
14 Statutes, sections 469.174 to 469.179.

15 Subd. 2. [DISTRICT IS REDEVELOPMENT DISTRICT.] The
16 redevelopment tax increment district created pursuant to
17 subdivision 1, within which housing is not a compatible use due
18 to the presence of extraordinary low frequency noise and
19 vibration impacts, is deemed to be a redevelopment district and
20 is subject to Minnesota Statutes, sections 469.174 to 469.179,
21 except that:

22 (1) expenditures for activities as defined in Minnesota
23 Statutes, section 469.1763, subdivision 1, paragraph (b),
24 anywhere in the district are deemed to be the costs of
25 correcting conditions that allow the designation of
26 redevelopment districts pursuant to Minnesota Statutes, section
27 469.174, subdivision 10; and

28 (2) the five-year rule under Minnesota Statutes, section
29 469.1763, subdivision 3, does not apply.

30 [EFFECTIVE DATE.] This section is effective upon local
31 approval by the city of Richfield in compliance with Minnesota
32 Statutes, section 645.021.

33 Sec. 31. [CITY OF ST. MICHAEL; TAX INCREMENT FINANCING
34 DISTRICT.]

35 Subdivision 1. [ESTABLISHMENT OF DISTRICT.] The city of St.
36 Michael may establish a redevelopment tax increment financing

1 district subject to Minnesota Statutes, sections 469.174 to
2 469.179, except as provided in this section. The district must
3 be established within an area that includes the downtown and
4 town center areas as designated by the city as well as all
5 parcels adjacent to marked Trunk Highway 241 within the city.

6 Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the
7 requirements of Minnesota Statutes, section 469.174, subdivision
8 10, the district may be established and operated as a
9 redevelopment district.

10 (b) Notwithstanding the restrictions of Minnesota Statutes,
11 sections 469.176, subdivisions 4 and 4j, and 469.1763,
12 subdivision 2, revenues derived from tax increments from the
13 district created under this section may be used to meet the cost
14 of land acquisition, removal of buildings in the right-of-way
15 acquisition area, and other costs incurred by the city of St.
16 Michael in the expansion and improvement of marked Trunk Highway
17 241 within the city.

18 (c) Minnesota Statutes, section 469.176, subdivision 5,
19 does not apply to the district.

20 [EFFECTIVE DATE.] This section is effective the day after
21 the governing body of the city of St. Michael complies with
22 Minnesota Statutes, section 645.021, subdivision 3.

23 Sec. 32. [ST. PAUL; HOUSING AND REDEVELOPMENT AUTHORITY.]

24 Subdivision 1. [HOUSING AND REDEVELOPMENT
25 SUBDISTRICTS.] For its tax increment financing districts
26 identified in subdivision 2, the Housing and Redevelopment
27 Authority of the city of St. Paul may establish subdistricts up
28 to the number set forth for each tax increment financing
29 district in subdivision 2. The subdistricts shall be treated as
30 set forth in subdivision 3, notwithstanding the provisions of
31 any other law to the contrary.

32 Subd. 2. [DIVISION INTO SUBDISTRICTS; AUTHORITY.] The tax
33 increment financing districts with the following Ramsey County
34 identification numbers may be divided into a number of
35 subdistricts not to exceed the number set forth as follows: No.
36 224/233, six subdistricts; No. 225, six subdistricts; No. 228,

1 three subdistricts; and No. 234, two subdistricts.

2 Subd. 3. [DESIGNATION OF PARCELS.] All parcels in a tax
3 increment financing district listed in subdivision 2 must be
4 assigned to a subdistrict. Each subdistrict established
5 pursuant to this section shall consist of those parcels in the
6 tax increment financing district which are designated by the
7 commissioners of the Housing and Redevelopment Authority of the
8 city of St. Paul by resolution, which parcels need not be
9 contiguous. For purposes of determining tax increments and the
10 parcels treated as paying tax increments, each subdistrict shall
11 be treated as a separate tax increment district.

12 [EFFECTIVE DATE.] This section is effective the day after
13 the governing body of St. Paul and its chief clerical officer
14 comply with Minnesota Statutes, section 645.021, subdivisions 2
15 and 3.

16 Sec. 33. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

17 Subdivision 1. [DISTRICT EXTENSION.] The governing body of
18 the city of Wabasha may elect to extend the duration of its
19 redevelopment tax increment financing district number 3 by up to
20 five additional years.

21 Subd. 2. [FIVE-YEAR RULE.] The requirements of Minnesota
22 Statutes, section 469.1763, subdivision 3, that activities must
23 be undertaken within a five-year period from the date of
24 certification of a tax increment financing district must be
25 considered to be met for the city of Wabasha redevelopment tax
26 increment district number 3, if the activities are undertaken
27 within ten years from the date of certification of the district.

28 Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the
29 provisions of Minnesota Statutes, section 469.176, subdivision
30 41, or any other law, the city of Wabasha may spend the proceeds
31 of tax increment bonds issued prior to January 1, 2000, to pay
32 the costs of acquiring and constructing a National Eagle Center
33 in the city. The city of Wabasha may also use tax increment
34 from its tax increment districts to pay the debt service on such
35 bonds, or any bonds issued to refund such bonds, subject to
36 legal restrictions on the pooling of tax increment.

1 [EFFECTIVE DATE.] Subdivision 1 is effective upon
2 compliance with the provisions of Minnesota Statutes, sections
3 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are
4 effective upon compliance by the governing body of the city of
5 Wabasha with the provisions of Minnesota Statutes, section
6 645.021.

7 Sec. 34. [JOBZ EXPENDITURE LIMITATIONS; AUDITS.]

8 Subdivision 1. [DETERMINATION OF TAX EXPENDITURES.] By
9 September 1, 2005, the commissioner of revenue, with the
10 assistance of the commissioner of employment and economic
11 development, must estimate the total amount of tax expenditures
12 projected to have been obligated for all job opportunity
13 building zone projects that have been approved before June 1,
14 2005. If the commissioner of revenue determines that the
15 estimated amount of tax expenditures for fiscal years 2005-2007
16 exceeds \$13,780,000, the commissioner of revenue must inform the
17 chairs of the house of representatives and senate tax committees.

18 Subd. 2. [AUDITS.] The Tax Increment Financing, Investment
19 and Finance Division of the Office of the State Auditor must
20 annually audit the creation and operation of all job opportunity
21 building zones and business subsidy agreements entered into
22 under Minnesota Statutes, sections 469.310 to 469.320.

23 Sec. 35. [REPEALER.]

24 Laws 1994, chapter 587, article 9, section 20, subdivision
25 4, is repealed.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

ARTICLE ..

MINERALS; AGGREGATE

Section 1. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY USED IN THE BUSINESS OF MINING SUBJECT TO THE NET PROCEEDS TAX.] The following property used in the business of mining subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or refining facilities; and

(3) concentrate or direct reduced ore.

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2004, section 290.05, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT ENTITIES.] The following corporations, individuals, estates, trusts, and organizations

1 shall be exempted from taxation under this chapter, provided
2 that every such person or corporation claiming exemption under
3 this chapter, in whole or in part, must establish to the
4 satisfaction of the commissioner the taxable status of any
5 income or activity:

6 (a) corporations, individuals, estates, and trusts engaged
7 in the business of mining or producing iron ore and mining,
8 producing, or refining other ores, metals, and minerals, the
9 mining or, production, or refining of which is subject to the
10 occupation tax imposed by section 298.01; but if any such
11 corporation, individual, estate, or trust engages in any other
12 business or activity or has income from any property not used in
13 such business it shall be subject to this tax computed on the
14 net income from such property or such other business or
15 activity. Royalty shall not be considered as income from the
16 business of mining or producing iron ore within the meaning of
17 this section;

18 (b) the United States of America, the state of Minnesota or
19 any political subdivision of either agencies or
20 instrumentalities, whether engaged in the discharge of
21 governmental or proprietary functions; and

22 (c) any insurance company.

23 **[EFFECTIVE DATE.]** This section is effective for taxable
24 years beginning after December 31, 2004.

25 Sec. 3. Minnesota Statutes 2004, section 290.17,
26 subdivision 4, is amended to read:

27 Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or
28 business conducted wholly within this state or partly within and
29 partly without this state is part of a unitary business, the
30 entire income of the unitary business is subject to
31 apportionment pursuant to section 290.191. Notwithstanding
32 subdivision 2, paragraph (c), none of the income of a unitary
33 business is considered to be derived from any particular source
34 and none may be allocated to a particular place except as
35 provided by the applicable apportionment formula. The
36 provisions of this subdivision do not apply to business income

1 subject to subdivision 5, income of an insurance company, ~~or~~
2 income of an investment company determined under section 290.36,
3 or income of a mine or mineral processing facility subject to
4 tax under section 298.01.

5 (b) The term "unitary business" means business activities
6 or operations which result in a flow of value between them. The
7 term may be applied within a single legal entity or between
8 multiple entities and without regard to whether each entity is a
9 sole proprietorship, a corporation, a partnership or a trust.

10 (c) Unity is presumed whenever there is unity of ownership,
11 operation, and use, evidenced by centralized management or
12 executive force, centralized purchasing, advertising,
13 accounting, or other controlled interaction, but the absence of
14 these centralized activities will not necessarily evidence a
15 nonunitary business. Unity is also presumed when business
16 activities or operations are of mutual benefit, dependent upon
17 or contributory to one another, either individually or as a
18 group.

19 (d) Where a business operation conducted in Minnesota is
20 owned by a business entity that carries on business activity
21 outside the state different in kind from that conducted within
22 this state, and the other business is conducted entirely outside
23 the state, it is presumed that the two business operations are
24 unitary in nature, interrelated, connected, and interdependent
25 unless it can be shown to the contrary.

26 (e) Unity of ownership is not deemed to exist when a
27 corporation is involved unless that corporation is a member of a
28 group of two or more business entities and more than 50 percent
29 of the voting stock of each member of the group is directly or
30 indirectly owned by a common owner or by common owners, either
31 corporate or noncorporate, or by one or more of the member
32 corporations of the group. For this purpose, the term "voting
33 stock" shall include membership interests of mutual insurance
34 holding companies formed under section 60A.077.

35 (f) The net income and apportionment factors under section
36 290.191 or 290.20 of foreign corporations and other foreign

1 entities which are part of a unitary business shall not be
2 included in the net income or the apportionment factors of the
3 unitary business. A foreign corporation or other foreign entity
4 which is required to file a return under this chapter shall file
5 on a separate return basis. The net income and apportionment
6 factors under section 290.191 or 290.20 of foreign operating
7 corporations shall not be included in the net income or the
8 apportionment factors of the unitary business except as provided
9 in paragraph (g).

10 (g) The adjusted net income of a foreign operating
11 corporation shall be deemed to be paid as a dividend on the last
12 day of its taxable year to each shareholder thereof, in
13 proportion to each shareholder's ownership, with which such
14 corporation is engaged in a unitary business. Such deemed
15 dividend shall be treated as a dividend under section 290.21,
16 subdivision 4.

17 Dividends actually paid by a foreign operating corporation
18 to a corporate shareholder which is a member of the same unitary
19 business as the foreign operating corporation shall be
20 eliminated from the net income of the unitary business in
21 preparing a combined report for the unitary business. The
22 adjusted net income of a foreign operating corporation shall be
23 its net income adjusted as follows:

24 (1) any taxes paid or accrued to a foreign country, the
25 commonwealth of Puerto Rico, or a United States possession or
26 political subdivision of any of the foregoing shall be a
27 deduction; and

28 (2) the subtraction from federal taxable income for
29 payments received from foreign corporations or foreign operating
30 corporations under section 290.01, subdivision 19d, clause (10),
31 shall not be allowed.

32 If a foreign operating corporation incurs a net loss,
33 neither income nor deduction from that corporation shall be
34 included in determining the net income of the unitary business.

35 (h) For purposes of determining the net income of a unitary
36 business and the factors to be used in the apportionment of net

1 income pursuant to section 290.191 or 290.20, there must be
2 included only the income and apportionment factors of domestic
3 corporations or other domestic entities other than foreign
4 operating corporations that are determined to be part of the
5 unitary business pursuant to this subdivision, notwithstanding
6 that foreign corporations or other foreign entities might be
7 included in the unitary business.

8 (i) Deductions for expenses, interest, or taxes otherwise
9 allowable under this chapter that are connected with or
10 allocable against dividends, deemed dividends described in
11 paragraph (g), or royalties, fees, or other like income
12 described in section 290.01, subdivision 19d, clause (10), shall
13 not be disallowed.

14 (j) Each corporation or other entity, except a sole
15 proprietorship, that is part of a unitary business must file
16 combined reports as the commissioner determines. On the
17 reports, all intercompany transactions between entities included
18 pursuant to paragraph (h) must be eliminated and the entire net
19 income of the unitary business determined in accordance with
20 this subdivision is apportioned among the entities by using each
21 entity's Minnesota factors for apportionment purposes in the
22 numerators of the apportionment formula and the total factors
23 for apportionment purposes of all entities included pursuant to
24 paragraph (h) in the denominators of the apportionment formula.

25 (k) If a corporation has been divested from a unitary
26 business and is included in a combined report for a fractional
27 part of the common accounting period of the combined report:

28 (1) its income includable in the combined report is its
29 income incurred for that part of the year determined by
30 proration or separate accounting; and

31 (2) its sales, property, and payroll included in the
32 apportionment formula must be prorated or accounted for
33 separately.

34 **[EFFECTIVE DATE.]** This section is effective for taxable
35 years beginning after December 31, 2004.

36 Sec. 4. Minnesota Statutes 2004, section 290.191,

1 subdivision 1, is amended to read:

2 Subdivision 1. [GENERAL RULE.] (a) Except as otherwise
3 provided in section 290.17, subdivision 5, the net income from a
4 trade or business carried on partly within and partly without
5 this state must be apportioned to this state as provided in this
6 section. To the extent that an entity is exempt from taxation
7 under this chapter as provided in section 290.05, the
8 apportionment factors associated with the entity's exempt
9 activities are excluded from the apportionment formula under
10 this section.

11 (b) For purposes of this section, "state" means a state of
12 the United States, the District of Columbia, the commonwealth of
13 Puerto Rico, or any territory or possession of the United States
14 or any foreign country.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2004.

17 Sec. 5. Minnesota Statutes 2004, section 297A.68,
18 subdivision 4, is amended to read:

19 Subd. 4. [TACONITE, OTHER ORES, METALS, OR MINERALS;
20 PRODUCTION MATERIALS.] Mill liners, grinding rods, and grinding
21 balls that are substantially consumed in the production of
22 taconite or other ores, metals, or minerals are exempt when sold
23 to or stored, used, or consumed by persons taxed under the
24 in-lieu provisions of chapter 298.

25 [EFFECTIVE DATE.] This section is effective for sales and
26 purchases made after June 30, 2005.

27 Sec. 6. Minnesota Statutes 2004, section 298.001, is
28 amended by adding a subdivision to read:

29 Subd. 9. [REFINING.] "Refining" means and is limited to
30 refining:

31 (1) of ores, metals, or mineral products, the mining,
32 extraction, or quarrying of which were subject to tax under
33 section 298.015; and

34 (2) carried on by the entity, or an affiliated entity, that
35 mined, extracted, or quarried the metal or mineral products.

36 [EFFECTIVE DATE.] This section is effective for taxable

1 years beginning after December 31, 2004.

2 Sec. 7. Minnesota Statutes 2004, section 298.001, is
3 amended by adding a subdivision to read:

4 Subd. 10. [PRECIOUS MINERALS TAX RELIEF AREA.] The
5 "precious minerals tax relief area" means the area of the
6 following Independent School Districts:

- 7 (1) No. 166, Cook County;
- 8 (2) No. 316, Coleraine;
- 9 (3) No. 318, Grand Rapids;
- 10 (4) No. 319, Nashwauk-Keewatin;
- 11 (5) No. 381, Lake Superior;
- 12 (6) No. 695, Chisholm;
- 13 (7) No. 696, Ely;
- 14 (8) No. 701, Hibbing;
- 15 (9) No. 706, Virginia;
- 16 (10) No. 712, Mountain Iron-Buhl;
- 17 (11) No. 2711, Mesabi East;
- 18 (12) No. 2142, St. Louis County; and
- 19 (13) No. 2154, Eveleth-Gilbert.

20 [EFFECTIVE DATE.] This section is effective for taxable
21 years beginning after December 31, 2004.

22 Sec. 8. Minnesota Statutes 2004, section 298.01,
23 subdivision 3, is amended to read:

24 Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person
25 engaged in the business of mining, refining, or producing ores,
26 metals, or minerals in this state, except iron ore or taconite
27 concentrates, shall pay an occupation tax to the state of
28 Minnesota as provided in this subdivision. For purposes of this
29 subdivision, mining includes the application of
30 hydrometallurgical processes. The tax is determined in the same
31 manner as the tax imposed by section 290.02, except that
32 sections 290.05, subdivision 1, clause (a), 290.0921, and
33 290.17, subdivision 4, do not apply. Except as provided in
34 section 290.05, subdivision 1, paragraph (a), the tax is in
35 addition to all other taxes.

36 [EFFECTIVE DATE.] This section is effective for taxable

1 years beginning after December 31, 2004.

2 Sec. 9. Minnesota Statutes 2004, section 298.01,
3 subdivision 3a, is amended to read:

4 Subd. 3a. [GROSS INCOME.] (a) For purposes of determining
5 a person's taxable income under subdivision 3, gross income is
6 determined by the amount of gross proceeds from mining in this
7 state under section 298.016 and includes any gain or loss
8 recognized from the sale or disposition of assets used in the
9 business in this state.

10 (b) In applying section 290.191, subdivision 5, transfers
11 of ores, metals, or minerals that are subject to tax under this
12 chapter are deemed to be sales outside this state if the ores,
13 metals, or minerals are transported out of this state for
14 further processing or refining by the person engaged in mining
15 after the ores, metals, or minerals have been converted to a
16 marketable quality.

17 (c) In applying section 290.191, subdivision 5, transfers
18 of ores, metals, or minerals that are subject to tax under this
19 chapter are deemed to be sales within this state if the ores,
20 metals, or minerals are received by a purchaser at a point
21 within this state, and the taxpayer is taxable in this state,
22 regardless of the f.o.b. point, or other conditions of the sale,
23 or the ultimate destination of the property.

24 [EFFECTIVE DATE.] This section is effective for taxable
25 years beginning after December 31, 2004.

26 Sec. 10. Minnesota Statutes 2004, section 298.01,
27 subdivision 4, is amended to read:

28 Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE
29 CONCENTRATES.] A person engaged in the business of mining or
30 producing of iron ore, taconite concentrates or direct reduced
31 ore in this state shall pay an occupation tax to the state of
32 Minnesota. The tax is determined in the same manner as the tax
33 imposed by section 290.02, except that sections 290.05,
34 subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4,
35 do not apply. The tax is in addition to all other taxes.

36 [EFFECTIVE DATE.] This section is effective for taxable

1 years beginning after December 31, 2004.

2 Sec. 11. Minnesota Statutes 2004, section 298.015,
3 subdivision 1, is amended to read:

4 Subdivision 1. [TAX IMPOSED.] A person engaged in the
5 business of mining shall pay to the state of Minnesota for
6 distribution as provided in section 298.018 a net proceeds tax
7 equal to ~~two~~ four percent of the net proceeds from mining in
8 Minnesota. The tax applies to all ~~mineral-and-energy-resources~~
9 ores, metals, and minerals mined ~~or~~, extracted, produced, or
10 refined within the state of Minnesota except for sand, silica
11 sand, gravel, building stone, crushed rock, limestone, granite,
12 dimension granite, dimension stone, horticultural peat, clay,
13 soil, iron ore, and taconite concentrates. Except as provided
14 in section 272.02, subdivision 68, the tax is in addition to all
15 other taxes provided for by law.

16 [EFFECTIVE DATE.] This section is effective for taxes
17 payable in 2006 and thereafter.

18 Sec. 12. Minnesota Statutes 2004, section 298.015,
19 subdivision 2, is amended to read:

20 Subd. 2. [NET PROCEEDS.] For purposes of this section, the
21 term "net proceeds" means the gross proceeds from mining, as
22 defined in section 298.016, less the same deductions allowed ~~in~~
23 ~~section-298-017~~ for purposes of determining taxable income under
24 section 298.01, subdivision 3b. No other credits or deductions
25 shall apply to this tax ~~except-for-those-provided-in-section~~
26 ~~298-017.~~

27 [EFFECTIVE DATE.] This section is effective for taxes
28 payable in 2006 and thereafter.

29 Sec. 13. Minnesota Statutes 2004, section 298.016,
30 subdivision 4, is amended to read:

31 Subd. 4. [DEFINITIONS.] For the purposes of sections
32 298.015 and 298.017, the terms defined in this subdivision have
33 the meaning given them unless the context clearly indicates
34 otherwise.

35 (a) "Metal or mineral products" means all those ~~mineral-and~~
36 ~~energy-resources~~ ores, metals, and minerals subject to the tax

1 provided in section 298.015.

2 (b) "Exploration" means activities designed and engaged in
3 to ascertain the existence, location, extent, or quality of any
4 deposit of metal or mineral products prior to the development of
5 a mining site.

6 (c) "Development" means activities designed and engaged in
7 to prepare or develop a potential mining site for mining after
8 the existence of metal or mineral products in commercially
9 marketable quantities has been disclosed including, but not
10 limited to, the clearing of forestation, the building of roads,
11 removal of overburden, or the sinking of shafts.

12 (d) "Research" means activities designed and engaged in to
13 create new or improved methods of mining, producing, processing,
14 beneficiating, smelting, or refining metal or mineral products.

15 [EFFECTIVE DATE.] This section is effective for taxable
16 years beginning after December 31, 2005.

17 Sec. 14. Minnesota Statutes 2004, section 298.018, is
18 amended to read:

19 298.018 [DISTRIBUTION OF PROCEEDS.]

20 Subdivision 1. [~~WITHIN THE TACONITE~~ PRECIOUS MINERALS
21 ASSISTANCE AREA.] The proceeds of the tax paid under sections
22 298.015 to 298.017 on ores, metals, and minerals and-energy
23 resources mined or extracted within the taconite precious
24 minerals assistance area defined-in-section-273-1341, shall be
25 allocated as follows:

26 (1) five percent to the city or town within which the ores,
27 metals, or minerals or-energy-resources are mined or extracted;

28 (2) ten percent to the taconite municipal aid account to be
29 distributed as-provided-in-section-298-282 to qualifying
30 municipalities, as defined in section 298.282 and located in the
31 precious minerals assistance area;

32 (3) ten percent to the school district within which the
33 ores, metals, or minerals or-energy-resources are mined or
34 extracted;

35 (4) ~~20~~ 30 percent to ~~a-group-of-school-districts-comprised~~
36 ~~of-these-school-districts-wherein-the-mineral-or-energy-resource~~

1 was-mined-or-extracted-or-in-which-there-is-a-qualifying
 2 municipality-as-defined-by-section-273.134, paragraph-(b), in
 3 direct-proportion-to-school-district-indexes-as-follows:--for
 4 each-school-district, its-pupil-units-determined-under-section
 5 126C.05-for-the-prior-school-year-shall-be-multiplied-by-the
 6 ratio-of-the-average-adjusted-net-tax-capacity-per-pupil-unit
 7 for-school-districts-receiving-aid-under-this-clause-as
 8 calculated-pursuant-to-chapters-122A, 126C, and-127A-for-the
 9 school-year-ending-prior-to-distribution-to-the-adjusted-net-tax
 10 capacity-per-pupil-unit-of-the-district.--Each-district-shall
 11 receive-that-portion-of-the-distribution-which-its-index-bears
 12 to-the-sum-of-the-indices-for-all-school-districts-that-receive
 13 the-distributions the state general fund to represent the
 14 portion of the tax that is in lieu of the state general tax
 15 under section 275.025;

16 (5) 20 percent to the county within which the ores, metals,
 17 or minerals or energy resources are mined or extracted;

18 (6) 20-percent-to-St.-Louis-County-acting-as-the-counties'
 19 fiscal-agent-to-be-distributed-as-provided-in-sections-273.134
 20 to-273.136;

21 (7) five percent to the Iron Range Resources and
 22 Rehabilitation Board for the purposes of section 298.22;

23 (8)-five (7) ten percent to the Douglas J. Johnson economic
 24 protection trust fund; and

25 (9)-five (8) ten percent to the taconite environmental
 26 protection fund.

27 The proceeds of the tax shall be distributed on July 15
 28 each year.

29 Subd. 2. [OUTSIDE THE TACONITE PRECIOUS MINERALS
 30 ASSISTANCE AREA.] The proceeds of the tax paid under sections
 31 298.015 to 298.017 on ores, metals, or minerals and energy
 32 resources mined or extracted outside of the taconite precious
 33 minerals assistance area defined-in-section-273.134, shall be
 34 deposited in the general fund.

35 Subd. 3. [SEGREGATION OF FUNDS.] The proceeds of the tax
 36 allocated under subdivision 1, clauses (2), (6), (7), and (8),

1 including any investment earnings on them, must be segregated
2 and separately accounted for in the respective funds or account
3 to which they are allocated. These amounts must only be
4 distributed to municipalities within the precious minerals
5 assistance area or used for projects located in the precious
6 minerals assistance area.

7 [EFFECTIVE DATE.] This section is effective for
8 distribution of net proceeds tax revenues made after July 1,
9 2005.

10 Sec. 15. [298.021] [ROYALTY TAX.]

11 In addition to any other taxes imposed by law, a tax is
12 imposed on a royalty, as defined in section 290.923, subdivision
13 1, paid on ore, other than iron ore, taconite, iron sulphides,
14 or semitaconite. The tax equals 12 percent of the amount of the
15 royalty paid. The person paying the royalty shall withhold the
16 tax from the payment and remit the payment to the commissioner
17 at the times and under the procedures provided under section
18 290.923. The commissioner shall deposit proceeds in the general
19 fund and allocate the proceeds as provided under section
20 298.018, subdivision 1.

21 [EFFECTIVE DATE.] This section is effective for royalties
22 paid after June 30, 2005.

23 Sec. 16. Minnesota Statutes 2004, section 298.223,
24 subdivision 1, is amended to read:

25 Subdivision 1. [CREATION; PURPOSES.] A fund called the
26 taconite environmental protection fund is created for the
27 purpose of reclaiming, restoring and enhancing those areas of
28 northeast Minnesota located within the taconite assistance area
29 defined in section 273.1341, that are adversely affected by the
30 environmentally damaging operations involved in mining taconite
31 and iron ore and producing iron ore concentrate and for the
32 purpose of promoting the economic development of northeast
33 Minnesota. The taconite environmental protection fund shall be
34 used for the following purposes:

35 (a) to initiate investigations into matters the Iron Range
36 Resources and Rehabilitation Board determines are in need of

1 study and which will determine the environmental problems
2 requiring remedial action;

3 (b) reclamation, restoration, or reforestation of minelands
4 not otherwise provided for by state law;

5 (c) local economic development projects ~~including~~
6 ~~construction-of-sewer-and-water-systems,-and-other~~ but only if
7 those projects are approved by the board, and public works,
8 including construction of sewer and water systems located within
9 the taconite assistance area defined in section 273.1341;

10 (d) monitoring of mineral industry related health problems
11 among mining employees.

12 [EFFECTIVE DATE.] This section is effective the day
13 following final enactment.

14 Sec. 17. Minnesota Statutes 2004, section 298.24,
15 subdivision 1, is amended to read:

16 Subdivision 1. (a) For concentrate produced in 2001, 2002,
17 and 2003, there is imposed upon taconite and iron sulphides, and
18 upon the mining and quarrying thereof, and upon the production
19 of iron ore concentrate therefrom, and upon the concentrate so
20 produced, a tax of \$2.103 per gross ton of merchantable iron ore
21 concentrate produced therefrom. For concentrates produced in
22 2005 and 2006, the tax rate is the same rate imposed for
23 concentrates produced in 2004.

24 (b) For concentrates produced in 2004, 2007, and subsequent
25 years, the tax rate shall be equal to the preceding year's tax
26 rate plus an amount equal to the preceding year's tax rate
27 multiplied by the percentage increase in the implicit price
28 deflator from the fourth quarter of the second preceding year to
29 the fourth quarter of the preceding year. "Implicit price
30 deflator" means the implicit price deflator for the gross
31 domestic product prepared by the Bureau of Economic Analysis of
32 the United States Department of Commerce.

33 (c) On concentrates produced in 1997 and thereafter, an
34 additional tax is imposed equal to three cents per gross ton of
35 merchantable iron ore concentrate for each one percent that the
36 iron content of the product exceeds 72 percent, when dried at

1 212 degrees Fahrenheit.

2 (d) Except for taxes payable in 2006 through 2008, the tax
3 shall be imposed on the average of the production for the
4 current year and the previous two years. The rate of the tax
5 imposed will be the current year's tax rate. This clause shall
6 not apply in the case of the closing of a taconite facility if
7 the property taxes on the facility would be higher if this
8 clause and section 298.25 were not applicable.

9 (e) If the tax or any part of the tax imposed by this
10 subdivision is held to be unconstitutional, a tax of \$2.103 per
11 gross ton of merchantable iron ore concentrate produced shall be
12 imposed.

13 (f) Consistent with the intent of this subdivision to
14 impose a tax based upon the weight of merchantable iron ore
15 concentrate, the commissioner of revenue may indirectly
16 determine the weight of merchantable iron ore concentrate
17 included in fluxed pellets by subtracting the weight of the
18 limestone, dolomite, or olivine derivatives or other basic flux
19 additives included in the pellets from the weight of the
20 pellets. For purposes of this paragraph, "fluxed pellets" are
21 pellets produced in a process in which limestone, dolomite,
22 olivine, or other basic flux additives are combined with
23 merchantable iron ore concentrate. No subtraction from the
24 weight of the pellets shall be allowed for binders, mineral and
25 chemical additives other than basic flux additives, or moisture.

26 (g) (1) Notwithstanding any other provision of this
27 subdivision, for the first two years of a plant's commercial
28 production of direct reduced ore, no tax is imposed under this
29 section. As used in this paragraph, "commercial production" is
30 production of more than 50,000 tons of direct reduced ore in the
31 current year or in any prior year, "noncommercial production" is
32 production of 50,000 tons or less of direct reduced ore in any
33 year, and "direct reduced ore" is ore that results in a product
34 that has an iron content of at least 75 percent. For the third
35 year of a plant's commercial production of direct reduced ore,
36 the rate to be applied to direct reduced ore is 25 percent of

1 the rate otherwise determined under this subdivision. For the
2 fourth ~~such~~ commercial production year, the rate is 50 percent
3 of the rate otherwise determined under this subdivision; for the
4 fifth ~~such~~ commercial production year, the rate is 75 percent of
5 the rate otherwise determined under this subdivision; and for
6 all subsequent commercial production years, the full rate is
7 imposed.

8 (2) Subject to clause (1), production of direct reduced ore
9 in this state is subject to the tax imposed by this section, but
10 if that production is not produced by a producer of taconite or
11 iron sulfides, the production of taconite or iron sulfides
12 consumed in the production of direct reduced iron in this state
13 is not subject to the tax imposed by this section on taconite or
14 iron sulfides.

15 (3) Notwithstanding any other provision of this
16 subdivision, no tax is imposed on direct reduced ore under this
17 section during the facility's noncommercial production of direct
18 reduced ore. The taconite or iron sulphides consumed in the
19 noncommercial production of direct reduced ore is subject to the
20 tax imposed by this section on taconite and iron sulphides.
21 Three-year average production of direct reduced ore does not
22 include production of direct reduced ore in any noncommercial
23 year. Three-year average production for a direct reduced ore
24 facility that has noncommercial production is the average of the
25 commercial production of direct reduced ore for the current year
26 and the previous two commercial years.

27 [EFFECTIVE DATE.] This section is effective for direct
28 reduced ore produced after the date of final enactment.

29 Sec. 18. Minnesota Statutes 2004, section 298.28,
30 subdivision 9b, is amended to read:

31 Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per
32 ~~ton for distributions in 1999-2000-2001-2002-and-2003~~ must
33 be paid to the taconite environmental fund for use under section
34 298.2961, subdivision 4.

35 [EFFECTIVE DATE.] This section is effective for
36 distributions in 2005 and later years.

1 Sec. 19. Minnesota Statutes 2004, section 298.28,
2 subdivision 10, is amended to read:

3 Subd. 10. [INCREASE.] (a) Except as provided in paragraph
4 (b), beginning with distributions in 2000, the amount determined
5 under subdivision 9 shall be increased in the same proportion as
6 the increase in the implicit price deflator as provided in
7 section 298.24, subdivision 1. Beginning with distributions in
8 2003, the amount determined under subdivision 6, paragraph (a),
9 shall be increased in the same proportion as the increase in the
10 implicit price deflator as provided in section 298.24,
11 subdivision 1.

12 (b) For distributions in 2005 and subsequent years, an
13 amount equal to the increased tax proceeds attributable to the
14 increase in the implicit price deflator as provided in section
15 298.24, subdivision 1, for taxes paid in 2005, except for the
16 amount of revenue increases provided in subdivision 4, paragraph
17 (d), is distributed to the grant and loan fund established in
18 section 298.2961, subdivision 4.

19 Sec. 20. Minnesota Statutes 2004, section 298.2961, is
20 amended by adding a subdivision to read:

21 Subd. 4. [GRANT AND LOAN FUND.] (a) A fund is established
22 to receive distributions under section 298.28, subdivision 9b,
23 and to make grants or loans as provided in this subdivision.
24 Any grant or loan made under this subdivision must be approved
25 by a majority of the members of the Iron Range Resources and
26 Rehabilitation Board, established under section 298.22.

27 (b) Distributions received in calendar year 2005 are
28 allocated to the city of Virginia for improvements and repairs
29 to the city's steam heating system.

30 (c) Distributions received in calendar year 2006 are
31 allocated to a project of the public utilities commissions of
32 the cities of Hibbing and Virginia to convert their electrical
33 generating plants to the use of biomass products, such as wood.

34 (d) Distributions received in calendar year 2007 must be
35 paid to the city of Tower to be used for the East Two Rivers
36 project in or near the city of Tower, including replacement of

1 the Marked Trunk Highway 169 bridge over East Two Rivers,
2 demolition of the present Marked Trunk Highway 135 bridge over
3 East Two Rivers, and rerouting of Marked Trunk Highway 135,
4 associated trunk highway construction and reconstruction, and
5 associated marina development.

6 (e) For distributions received in 2008 and later, amounts
7 may be allocated to joint ventures with mining companies for
8 reclamation of lands containing abandoned or worked out mines to
9 convert these lands to marketable properties for residential,
10 recreational, commercial, or other valuable uses.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 Sec. 21. Minnesota Statutes 2004, section 298.75,
14 subdivision 1, is amended to read:

15 Subdivision 1. [DEFINITIONS.] Except as may otherwise be
16 provided, the following words, when used in this section, shall
17 have the meanings herein ascribed to them.

18 (1) "Aggregate material" shall mean nonmetallic natural
19 mineral aggregate including, but not limited to sand, silica
20 sand, gravel, crushed rock, limestone, granite, and borrow, but
21 only if the borrow is transported on a public road, street, or
22 highway. Aggregate material shall not include dimension stone
23 and dimension granite. Aggregate material must be measured or
24 weighed after it has been extracted from the pit, quarry, or
25 deposit.

26 (2) "Person" shall mean any individual, firm, partnership,
27 corporation, organization, trustee, association, or other entity.

28 (3) "Operator" shall mean any person engaged in the
29 business of removing aggregate material from the surface or
30 subsurface of the soil, for the purpose of sale, either directly
31 or indirectly, through the use of the aggregate material in a
32 marketable product or service; except that operator does not
33 include persons engaged in a transaction in which: (i) the
34 person is allowed to remove or produce aggregate without a
35 mining permit; or (ii) the aggregate is moved within a project's
36 construction limits to other locations within that same

1 project's construction limits.

2 (4) "Extraction site" shall mean a pit, quarry, or deposit
3 containing aggregate material and any contiguous property to the
4 pit, quarry, or deposit which is used by the operator for
5 stockpiling the aggregate material.

6 (5) "Importer" shall mean any person who buys aggregate
7 material produced from a county not listed in paragraph (6) or
8 another state and causes the aggregate material to be imported
9 into a county in this state which imposes a tax on aggregate
10 material.

11 (6) "County" shall mean the counties of Pope, Stearns,
12 Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson,
13 Marshall, Pennington, Red Lake, Polk, Norman, Mahnommen, Clay,
14 Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone,
15 Sibley, Hennepin, Washington, Chisago, and Ramsey. County also
16 means any other county whose board has voted after a public
17 hearing to impose the tax under this section and has notified
18 the commissioner of revenue of the imposition of the tax.

19 (7) "Borrow" shall mean granular borrow, consisting of
20 durable particles of gravel and sand, crushed quarry or mine
21 rock, crushed gravel or stone, or any combination thereof, the
22 ratio of the portion passing the (#200) sieve divided by the
23 portion passing the (1 inch) sieve may not exceed 20 percent by
24 mass.

25 [EFFECTIVE DATE.] This section is effective for aggregate
26 sold, imported, transported, or used from a stockpile after June
27 30, 2005.

28 Sec. 22. Minnesota Statutes 2004, section 298.75,
29 subdivision 2, is amended to read:

30 Subd. 2. [TAX IMPOSED.] A county shall impose upon every
31 importer and operator a production tax up to ten cents per cubic
32 yard or up to seven cents per ton of aggregate material removed
33 except that the county board may decide not to impose this tax
34 if it determines that in the previous year operators removed
35 less than 20,000 tons or 14,000 cubic yards of aggregate
36 material from that county. A county or town may exempt an

1 operator from the tax if the operator has removed less than
2 2,500 tons or 1,750 yards from the county in the year that the
3 tax is due and no other aggregate operator has removed material
4 from the same site in the same year. The tax shall be imposed
5 on aggregate material produced in the county when the aggregate
6 material is transported from the extraction site or sold. When
7 aggregate material is stored in a stockpile within the state of
8 Minnesota and a public highway, road or street is not used for
9 transporting the aggregate material, the tax shall be imposed
10 either when the aggregate material is sold, or when it is
11 transported from the stockpile site, or when it is used from the
12 stockpile, whichever occurs first. The tax shall be imposed on
13 an importer when the aggregate material is imported into the
14 county that imposes the tax.

15 If the aggregate material is transported directly from the
16 extraction site to a waterway, railway, or another mode of
17 transportation other than a highway, road or street, the tax
18 imposed by this section shall be apportioned equally between the
19 county where the aggregate material is extracted and the county
20 to which the aggregate material is originally transported. If
21 that destination is not located in Minnesota, then the county
22 where the aggregate material was extracted shall receive all of
23 the proceeds of the tax.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment.

26 Sec. 23. [IRON RANGE RESOURCES AND REHABILITATION
27 COMMISSIONER; BONDS AUTHORIZED.]

28 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any
29 provision of Minnesota Statutes, chapter 298, to the contrary,
30 the commissioner of Iron Range resources and rehabilitation may
31 issue revenue bonds in a principal amount of \$15,000,000 in one
32 or more series, and bonds to refund those bonds. The proceeds
33 of the bonds must be used to make grants to school districts
34 located in the taconite tax relief area defined in Minnesota
35 Statutes, section 273.134, or the taconite assistance area
36 defined in Minnesota Statutes, section 273.1341, to be used by

1 the school districts to pay for health, safety, and maintenance
2 improvements but only if the school district has levied the
3 maximum amount allowable under law for those purposes.

4 Subd. 2. [APPROPRIATION.] There is annually appropriated
5 from the distribution of taconite production tax revenues to the
6 taconite environmental protection fund pursuant to Minnesota
7 Statutes, section 298.28, subdivision 11, and to the Douglas J.
8 Johnson economic protection trust pursuant to Minnesota
9 Statutes, section 298.28, subdivisions 9 and 11, in equal
10 shares, an amount sufficient to pay when due the principal and
11 interest on the bonds issued pursuant to subdivision 1. If the
12 annual distribution to the Douglas J. Johnson economic
13 protection trust is insufficient to pay its share after
14 fulfilling any obligations of the trust under Minnesota
15 Statutes, section 298.225 or 298.293, the deficiency shall be
16 appropriated from the taconite environmental protection fund.
17 The appropriation under this subdivision terminates upon payment
18 or maturity of the last of the bonds issued under this section.

19 Subd. 3. [CREDIT ENHANCEMENT.] The bonds issued under this
20 section shall be "debt obligations" and the commissioner of Iron
21 Range resources and rehabilitation shall be a "district" for
22 purposes of Minnesota Statutes, section 126C.55, provided that
23 advances made under subdivision 2 of Minnesota Statutes, section
24 126C.55, shall not be subject to subdivisions 4 to 7 of
25 Minnesota Statutes, section 126C.55.

26 Sec. 24. [TRANSITION PROVISION.]

27 Each person with an alternative minimum tax credit on
28 December 31, 2004, pursuant to Minnesota Statutes 2004, section
29 298.01, may take that credit against occupation tax under the
30 provisions of Minnesota Statutes 2004, section 298.01,
31 subdivision 3d or 4e.

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment.

34 Sec. 25. [REPEALER.]

35 (a) Minnesota Statutes 2004, section 298.01, subdivisions
36 3c, 3d, 4d, and 4e, are repealed effective for taxable years

1 beginning after December 31, 2004.

2 (b) Minnesota Statutes 2004, section 298.017, is repealed
3 effective for taxes payable in 2006 and thereafter.

4 (c) Minnesota Statutes 2004, section 298.227, is repealed
5 July 1, 2005. The commissioner of iron range resources and
6 rehabilitation must transfer any unobligated money in the
7 taconite economic development fund on that date to the mineral
8 processing and energy development assistance fund established
9 under Minnesota Statutes, section 298.2962.

ARTICLE ..

MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 270.30, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] ~~(a)~~ This section applies to a person who offers, provides, or facilitates the provision of refund-anticipation loans, as part of or in connection with the provision of tax preparation services.

~~(b) This section does not apply to:~~

~~(1) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;~~

~~(2) the provision by a person of tax preparation services to a spouse, parent, grandparent, child, or sibling; and~~

~~(3) the provision of services by an employee for an employer.~~

Sec. 2. Minnesota Statutes 2004, section 270.30, subdivision 5, is amended to read:

Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer who provides services for a fee or other consideration must provide an itemized statement of the charges for services, at least separately stating the charges for:

(1) return preparation; and

(2) ~~electronic filing; and~~

~~(3) providing or facilitating a refund anticipation loan.~~

1 Sec. 3. Minnesota Statutes 2004, section 270.30,
2 subdivision 6, is amended to read:

3 Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may
4 impose an administrative penalty of not more than \$1,000 per
5 violation of subdivision 3, 4, or 5. The commissioner may
6 terminate a tax preparer's authority to transmit returns
7 electronically to the state, if the commissioner determines the
8 tax preparer engaged in a pattern and practice of violating this
9 section. Imposition of a penalty under this subdivision is
10 subject to the contested case procedure under chapter 14. The
11 commissioner shall collect the penalty in the same manner as the
12 income tax. Penalties imposed under this subdivision are public
13 data.

14 Sec. 4. Minnesota Statutes 2004, section 270.30, is
15 amended by adding a subdivision to read:

16 Subd. 6a. [EXCHANGE OF DATA; STATE BOARD OF
17 ACCOUNTANCY.] The State Board of Accountancy shall refer to the
18 commissioner complaints it receives about tax preparers who are
19 not subject to the jurisdiction of the State Board of
20 Accountancy and who are alleged to have violated the provisions
21 of subdivisions 3 to 5.

22 Sec. 5. Minnesota Statutes 2004, section 270.30, is
23 amended by adding a subdivision to read:

24 Subd. 6b. [EXCHANGE OF DATA; LAWYERS BOARD OF PROFESSIONAL
25 RESPONSIBILITY.] The Lawyers Board of Professional
26 Responsibility may refer to the commissioner complaints it
27 receives about tax preparers who are not subject to its
28 jurisdiction and who are alleged to have violated the provisions
29 of subdivisions 3 to 5.

30 Sec. 6. Minnesota Statutes 2004, section 270.30, is
31 amended by adding a subdivision to read:

32 Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The
33 commissioner shall refer complaints about tax preparers who are
34 alleged to have violated the provisions of subdivisions 3 to 5
35 to:

36 (1) the State Board of Accountancy, if the tax preparer is

1 under its jurisdiction; and

2 (2) the Lawyers Board of Professional Responsibility, if
3 the tax preparer is under its jurisdiction.

4 Sec. 7. Minnesota Statutes 2004, section 270.30, is
5 amended by adding a subdivision to read:

6 Subd. 6d. [DATA PRIVATE.] Information exchanged on
7 individuals under subdivisions 6a to 6c are private data under
8 section 13.02, subdivision 12, until such time as a penalty is
9 imposed as provided in section 326A.08 or by the Lawyers Board
10 of Professional Responsibility.

11 Sec. 8. Minnesota Statutes 2004, section 270.30,
12 subdivision 8, is amended to read:

13 Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The
14 provisions of subdivisions-6-and-7 this section, except for
15 subdivision 4, do not apply to:

16 (1) an attorney admitted to practice under section 481.01;

17 (2) a certified public accountant ~~holding-a-certificate~~
18 ~~under-section-326A.04-or-a-person-issued-a-permit-to-practice~~
19 ~~under-section-326A.05~~ or other person who is subject to the
20 jurisdiction of the State Board of Accountancy; and

21 (3) ~~a-person-designated-as-a-registered-accounting~~
22 ~~practitioner-under-Minnesota-Rules,-part-1105-6600,-or-a~~
23 ~~registered-accounting-practitioner-firm-issued-a-permit-under~~
24 ~~Minnesota-Rules,-part-1105-7100,~~

25 ~~{4}~~ an enrolled agent who has passed the special enrollment
26 examination administered by the Internal Revenue Service ~~and.~~

27 (b) The provisions of this section do not apply to:

28 ~~{5}~~ (1) any fiduciary, or the regular employees of a
29 fiduciary, while acting on behalf of the fiduciary estate, the
30 testator, trustor, grantor, or beneficiaries of them;

31 (2) a tax preparer who provides tax preparation services
32 for fewer than six clients in a calendar year;

33 (3) tax preparation services to a spouse, parent,
34 grandparent, child, or sibling of the tax preparer; and

35 (4) the preparation by an employee of the tax return of the
36 employee's employer.

1 Sec. 9. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS
2 SUBJECT TO PENALTIES.]

3 Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any
4 other law, the commissioner must publish as provided in this
5 section a list or lists of tax preparers subject to penalties.

6 Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a)
7 Subject to the limitations of paragraphs (b) and (c), the
8 commissioner must publish lists of the tax preparers described
9 in subdivision 1. The list must include:

10 (1) the tax preparers who have been assessed penalties
11 under section 289A.60, subdivision 13, or who have been
12 convicted under section 289A.63;

13 (2) tax preparers against whom cumulative penalties of
14 \$1,000 or more have been assessed under section 270.30,
15 subdivision 6; and

16 (3) tax preparers whose authority to transmit returns
17 electronically has been terminated under section 270.30,
18 subdivision 6, or under section 289A.60, subdivision 13.
19 The list may include tax preparers against whom cumulative
20 penalties of less than \$1,000 have been assessed.

21 (b) For the purposes of this section, a penalty was not
22 assessed if:

23 (1) an administrative or court action contesting the
24 penalty has been filed or served and is unresolved at the time
25 when notice would be given under subdivision 3; or

26 (2) an appeal period to contest the penalty has not expired.

27 (c) Penalties are not subject to publication if:

28 (1) the commissioner is in the process of reviewing or
29 adjusting the penalty; or

30 (2) the commissioner has been notified that the tax
31 preparer is deceased.

32 Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days
33 before publishing the name of a tax preparer subject to penalty,
34 the commissioner shall mail a written notice to the tax
35 preparer, detailing the amount and nature of each penalty and
36 the intended publication of the information listed in

1 subdivision 4 related to the penalty. The notice must be mailed
2 by first class and certified mail addressed to the last known
3 address of the tax preparer. The notice must include
4 information regarding the exceptions listed in subdivision 2 and
5 must state that the tax preparer's information will not be
6 published if the tax preparer provides information establishing
7 that subdivision 2 prohibits publication of the tax preparer's
8 name.

9 (b) After at least 30 days has elapsed since the notice was
10 mailed and the tax preparer has not proved to the commissioner
11 that subdivision 2 prohibits publication, the commissioner may
12 publish in a list of tax preparers subject to penalty the
13 information about the tax preparer that is listed in subdivision
14 4.

15 Subd. 4. [FORM OF LIST.] The list may be published by any
16 medium or method. The list must contain the name, associated
17 business name or names, address or addresses, and violation or
18 violations for which a penalty was imposed of each tax preparer
19 subject to administrative penalty.

20 Subd. 5. [REMOVAL FROM LIST.] The commissioner shall
21 remove the name of a tax preparer from the list of tax preparers
22 published under this section when:

23 (1) the commissioner determines that the name was included
24 on the list in error;

25 (2) 90 days have elapsed since the preparer has fully paid
26 all fines imposed, served any suspension and demonstrated to the
27 satisfaction of the commissioner that the preparer has
28 successfully completed any remedial actions required by the
29 commissioner, the State Board of Accountancy, or the Lawyers
30 Board of Professional Responsibility; or

31 (3) the commissioner has been notified that the tax
32 preparer is deceased.

33 Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner
34 publishes a name under subdivision 1 in error, the tax preparer
35 whose name was erroneously published has a right to request a
36 retraction and apology. If the tax preparer so requests, the

1 commissioner shall publish a retraction and apology
2 acknowledging that the tax preparer's name was published in
3 error. The retraction and apology must appear in the same
4 medium and the same format as the original list that contained
5 the name listed in error.

6 Subd. 7. [PAYMENT OF DAMAGES.] Actions against the
7 commissioner of revenue or the state of Minnesota arising out of
8 the implementation of this program must be brought under section
9 270.276.

10 [EFFECTIVE DATE.] The requirement of subdivision 1,
11 paragraph (a), clause (2) is effective for crimes committed on
12 or after August 1, 2005. The remainder of subdivision 1 is
13 effective for tax preparers engaging in conduct described in
14 paragraph (a), clause (1) or (3), on or after August 1, 2005.

15 Sec. 10. Minnesota Statutes 2004, section 270A.03,
16 subdivision 5, is amended to read:

17 Subd. 5. [DEBT.] "Debt" means a legal obligation of a
18 natural person to pay a fixed and certain amount of money, which
19 equals or exceeds \$25 and which is due and payable to a claimant
20 agency. The term includes criminal fines imposed under section
21 609.10 or 609.125, fines imposed for petty misdemeanors as
22 defined in section 609.02, subdivision 4a, and restitution. The
23 term also includes the co-payment for the appointment of a
24 district public defender imposed under section 611.17, paragraph
25 (c). A debt may arise under a contractual or statutory
26 obligation, a court order, or other legal obligation, but need
27 not have been reduced to judgment.

28 A debt includes any legal obligation of a current recipient
29 of assistance which is based on overpayment of an assistance
30 grant where that payment is based on a client waiver or an
31 administrative or judicial finding of an intentional program
32 violation; or where the debt is owed to a program wherein the
33 debtor is not a client at the time notification is provided to
34 initiate recovery under this chapter and the debtor is not a
35 current recipient of food support, transitional child care, or
36 transitional medical assistance.

1 A debt does not include any legal obligation to pay a
2 claimant agency for medical care, including hospitalization if
3 the income of the debtor at the time when the medical care was
4 rendered does not exceed the following amount:

5 (1) for an unmarried debtor, an income of \$8,800 or less;

6 (2) for a debtor with one dependent, an income of \$11,270
7 or less;

8 (3) for a debtor with two dependents, an income of \$13,330
9 or less;

10 (4) for a debtor with three dependents, an income of
11 \$15,120 or less;

12 (5) for a debtor with four dependents, an income of \$15,950
13 or less; and

14 (6) for a debtor with five or more dependents, an income of
15 \$16,630 or less.

16 The income amounts in this subdivision shall be adjusted
17 for inflation for debts incurred in calendar years 2001 and
18 thereafter. The dollar amount of each income level that applied
19 to debts incurred in the prior year shall be increased in the
20 same manner as provided in section 1(f) of the Internal Revenue
21 Code of 1986, as amended through December 31, 2000, except that
22 for the purposes of this subdivision the percentage increase
23 shall be determined from the year starting September 1, 1999,
24 and ending August 31, 2000, as the base year for adjusting for
25 inflation for debts incurred after December 31, 2000.

26 Debt also includes an agreement to pay a MinnesotaCare
27 premium, regardless of the dollar amount of the premium
28 authorized under section 256L.15, subdivision 1a.

29 Sec. 11. Minnesota Statutes 2004, section 289A.08,
30 subdivision 16, is amended to read:

31 Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC
32 FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return
33 preparer," as defined in section 289A.60, subdivision 13,
34 paragraph ~~(g)~~ (h), who prepared more than 500 100 Minnesota
35 individual income tax returns for the prior calendar year must
36 file all Minnesota individual income tax returns prepared for

1 the current calendar year by electronic means.

2 (b) ~~For tax returns prepared for the tax year beginning in~~
3 ~~2001, the "500" in paragraph (a) is reduced to 250.~~

4 ~~(c) For tax returns prepared for tax years beginning after~~
5 ~~December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

6 (d) Paragraph (a) does not apply to a return if the
7 taxpayer has indicated on the return that the taxpayer did not
8 want the return filed by electronic means.

9 (e) (c) For each return that is not filed electronically by
10 a tax refund or return preparer under this subdivision,
11 including returns filed under paragraph (d), a paper filing fee
12 of \$5 is imposed upon the preparer. The fee is collected from
13 the preparer in the same manner as income tax. The fee does not
14 apply to returns that the commissioner requires to be filed in
15 paper form.

16 Sec. 12. Minnesota Statutes 2004, section 289A.60,
17 subdivision 13, is amended to read:

18 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
19 understatement of liability with respect to a return or claim
20 for refund is due to a willful attempt in any manner to
21 understate the liability for a tax by a person who is a tax
22 return preparer with respect to the return or claim, the person
23 shall pay to the commissioner a penalty of \$500. If a part of a
24 property tax refund claim is excessive due to a willful attempt
25 in any manner to overstate the claim for relief allowed under
26 chapter 290A by a person who is a tax refund or return preparer,
27 the person shall pay to the commissioner a penalty of \$500 with
28 respect to the claim. These penalties may not be assessed
29 against the employer of a tax return preparer unless the
30 employer was actively involved in the willful attempt to
31 understate the liability for a tax or to overstate the claim for
32 refund. These penalties are income tax liabilities and may be
33 assessed at any time as provided in section 289A.38, subdivision
34 5.

35 (b) A civil action in the name of the state of Minnesota
36 may be commenced to enjoin any person who is a tax return

1 preparer doing business in this state from further engaging in
2 any conduct described in paragraph (c). An action under this
3 paragraph must be brought by the attorney general in the
4 district court for the judicial district of the tax return
5 preparer's residence or principal place of business, or in which
6 the taxpayer with respect to whose tax return the action is
7 brought resides. The court may exercise its jurisdiction over
8 the action separate and apart from any other action brought by
9 the state of Minnesota against the tax return preparer or any
10 taxpayer.

11 (c) In an action under paragraph (b), if the court finds
12 that a tax return preparer has:

13 (1) engaged in any conduct subject to a civil penalty under
14 section 289A.60 or a criminal penalty under section 289A.63;

15 (2) misrepresented the preparer's eligibility to practice
16 before the Department of Revenue, or otherwise misrepresented
17 the preparer's experience or education as a tax return preparer;

18 (3) guaranteed the payment of any tax refund or the
19 allowance of any tax credit; or

20 (4) engaged in any other fraudulent or deceptive conduct
21 that substantially interferes with the proper administration of
22 state tax law, and injunctive relief is appropriate to prevent
23 the recurrence of that conduct,
24 the court may enjoin the person from further engaging in that
25 conduct.

26 (d) If the court finds that a tax return preparer has
27 continually or repeatedly engaged in conduct described in
28 paragraph (c), and that an injunction prohibiting that conduct
29 would not be sufficient to prevent the person's interference
30 with the proper administration of state tax laws, the court may
31 enjoin the person from acting as a tax return preparer. The
32 court may not enjoin the employer of a tax return preparer for
33 conduct described in paragraph (c) engaged in by one or more of
34 the employer's employees unless the employer was also actively
35 involved in that conduct.

36 (e) The commissioner may terminate or suspend a tax

1 preparer's authority to transmit returns electronically to the
2 state, if the commissioner determines that the tax preparer has
3 engaged in a pattern and practice of conduct in violation of
4 this subdivision or of section 289A.63.

5 (f) For purposes of this subdivision, the term
6 "understatement of liability" means an understatement of the net
7 amount payable with respect to a tax imposed by state tax law,
8 or an overstatement of the net amount creditable or refundable
9 with respect to a tax. The determination of whether or not
10 there is an understatement of liability must be made without
11 regard to any administrative or judicial action involving the
12 taxpayer. For purposes of this subdivision, the amount
13 determined for underpayment of estimated tax under either
14 section 289A.25 or 289A.26 is not considered an understatement
15 of liability.

16 ~~(f)~~ (g) For purposes of this subdivision, the term
17 "overstatement of claim" means an overstatement of the net
18 amount refundable with respect to a claim for property tax
19 relief provided by chapter 290A. The determination of whether
20 or not there is an overstatement of a claim must be made without
21 regard to administrative or judicial action involving the
22 claimant.

23 ~~(g)~~ (h) For purposes of this section, the term "tax refund
24 or return preparer" means an individual who prepares for
25 compensation, or who employs one or more individuals to prepare
26 for compensation, a return of tax, or a claim for refund of
27 tax. The preparation of a substantial part of a return or claim
28 for refund is treated as if it were the preparation of the
29 entire return or claim for refund. An individual is not
30 considered a tax return preparer merely because the individual:

31 (1) gives typing, reproducing, or other mechanical
32 assistance;

33 (2) prepares a return or claim for refund of the employer,
34 or an officer or employee of the employer, by whom the
35 individual is regularly and continuously employed;

36 (3) prepares a return or claim for refund of any person as

1 a fiduciary for that person; or

2 (4) prepares a claim for refund for a taxpayer in response
3 to a tax order issued to the taxpayer.

4 Sec. 13. Minnesota Statutes 2004, section 290A.07, is
5 amended by adding a subdivision to read:

6 Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner
7 may pay a claim up to 30 days earlier than the first permitted
8 date under subdivision 2a or 3 if the claim is submitted by
9 electronic means.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.

12 Sec. 14. Minnesota Statutes 2004, section 297F.01, is
13 amended by adding a subdivision to read:

14 Subd. 10a. [OUT-OF-STATE RETAILER.] "Out-of-state retailer"
15 means a person engaged outside of this state in the business of
16 selling, or offering to sell, cigarettes or tobacco products to
17 consumers located in this state.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 15. [297F.031] [REGISTRATION REQUIREMENT.]

21 Prior to making delivery sales or shipping cigarettes or
22 tobacco products in connection with any sales, an out-of-state
23 retailer shall file with the Department of Revenue a statement
24 setting forth the out-of-state retailer's name, trade name, and
25 the address of the out-of-state retailer's principal place of
26 business and any other place of business.

27 Sec. 16. Minnesota Statutes 2004, section 297F.09, is
28 amended by adding a subdivision to read:

29 Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th
30 day of each calendar month, an out-of-state retailer that has
31 made a delivery of cigarettes or tobacco products or shipped or
32 delivered cigarettes or tobacco products into the state in a
33 delivery sale in the previous calendar month shall file with the
34 Department of Revenue reports in the form and in the manner
35 prescribed by the commissioner of revenue that provides for each
36 delivery sale, the name and address of the purchaser and the

1 brand or brands and quantity of cigarettes or tobacco products
2 sold. A tobacco retailer that meets the requirements of United
3 States Code, title 15, section 375 et seq. satisfies the
4 requirements of this subdivision.

5 Sec. 17. [325D.125] [EMPLOYERS NOT TO MISREPRESENT STATUS
6 OF EMPLOYEES.]

7 Subdivision 1. [MISREPRESENTATION PROHIBITED.] No employer
8 shall misrepresent the nature of its employment relationship
9 with its employees to any federal, state, or local government
10 unit, to other employers or to its employees. An employer
11 misrepresents the nature of its employment relationship with its
12 employees if it makes any statement regarding the nature of the
13 relationship that the employer does not in good faith believe to
14 be true or if it fails to report individuals as employees when
15 legally required to do so.

16 Subd. 2. [EMPLOYEE COERCION PROHIBITED.] No employer shall
17 require or request any employee to enter into any agreement, or
18 sign any document, that results in misclassification of the
19 employee as an independent contractor or otherwise does not
20 accurately reflect the employment relationship with the employer.

21 Subd. 3. [VIOLATIONS.] Any court finding any person guilty
22 of violating this section shall transmit a copy of the
23 documentation of the finding of guilt to the commissioner of
24 labor and industry. The commissioner of labor and industry
25 shall report the finding of guilt to relevant state and federal
26 agencies, including at least the commissioner of commerce, the
27 commissioner of economic security, the commissioner of revenue,
28 the federal Internal Revenue Service, and the United States
29 Department of Labor.

30 [EFFECTIVE DATE.] This section is effective the day
31 following final enactment.

32 Sec. 18. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT
33 DELIVERY SALES.]

34 Subdivision 1. [DEFINITIONS.] (a) For purposes of this
35 section, the following terms have the meanings given, unless the
36 language or context clearly provides otherwise.

1 (b) "Consumer" means an individual who purchases, receives,
2 or possesses tobacco products for personal consumption and not
3 for resale.

4 (c) "Delivery sale" means:

5 (1) a sale of tobacco products to a consumer in this state
6 when:

7 (i) the purchaser submits the order for the sale by means
8 of a telephonic or other method of voice transmission, the mail
9 or any other delivery service, or the Internet or other on-line
10 service; or

11 (ii) the tobacco products are delivered by use of the mail
12 or other delivery service; or

13 (2) a sale of tobacco products that satisfies the criteria
14 in clause (1), item (i), regardless of whether the seller is
15 located inside or outside of the state.

16 A sale of tobacco products to an individual in this state
17 must be treated as a sale to a consumer, unless the individual
18 is licensed as a distributor or retailer of tobacco products.

19 (d) "Delivery service" means a person, including the United
20 States Postal Service, that is engaged in the commercial
21 delivery of letters, packages, or other containers.

22 (e) "Distributor" means a person, whether located inside or
23 outside of this state, other than a retailer, who sells or
24 distributes tobacco products in the state. Distributor does not
25 include a tobacco products manufacturer, export warehouse
26 proprietor, or importer with a valid permit under United States
27 Code, title 26, section 5712 (1997), if the person sells or
28 distributes tobacco products in this state only to distributors
29 who hold valid and current licenses under the laws of a state,
30 or to an export warehouse proprietor or another manufacturer.
31 Distributor does not include a common or contract carrier that
32 is transporting tobacco products under a proper bill of lading
33 or freight bill that states the quantity, source, and
34 destination of tobacco products, or a person who ships tobacco
35 products through this state by common or contract carrier under
36 a bill of lading or freight bill.

1 (f) "Retailer" means a person, whether located inside or
2 outside this state, who sells or distributes tobacco products to
3 a consumer in this state.

4 (g) "Tobacco products" means:

5 (1) cigarettes, as defined in section 297F.01, subdivision
6 3; and

7 (2) smokeless tobacco as defined in section 325F.76.

8 Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY
9 SALE.] (a) This subdivision applies to acceptance of an order
10 for a delivery sale of tobacco products.

11 (b) When accepting the first order for a delivery sale from
12 a consumer, the tobacco retailer shall obtain the following
13 information from the person placing the order:

14 (1) a copy of a valid government-issued document that
15 provides the person's name, current address, photograph, and
16 date of birth; and

17 (2) an original written statement signed by the person
18 documenting that the person:

19 (i) is of legal age to purchase tobacco products in the
20 state;

21 (ii) has made a choice whether to receive mailings from a
22 tobacco retailer;

23 (iii) understands that providing false information may be a
24 violation of law; and

25 (iv) understands that it is a violation of law to purchase
26 tobacco products for subsequent resale or for delivery to
27 persons who are under the legal age to purchase tobacco products.

28 (c) If an order is made as a result of advertisement over
29 the Internet, the tobacco retailer shall request the e-mail
30 address of the purchaser and shall receive payment by credit
31 card or check prior to shipping.

32 (d) Prior to shipping the tobacco products, the tobacco
33 retailer shall verify the information provided under paragraph
34 (b) against a commercially available database. Any such
35 database or databases may also include age and identity
36 information from other government or validated commercial

1 sources, if that additional information is regularly used by
2 government and businesses for the purpose of identity
3 verification and authentication, and if the additional
4 information is used only to supplement and not to replace the
5 government-issued identification data in the age and identity
6 verification process.

7 Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a)
8 This subdivision applies to a tobacco retailer shipping tobacco
9 products pursuant to a delivery sale.

10 (b) The tobacco retailer shall clearly mark the outside of
11 the package of tobacco products to be shipped "tobacco products -
12 adult signature required" and to show the name of the tobacco
13 retailer.

14 (c) The tobacco retailer shall utilize a delivery service
15 that imposes the following requirements:

16 (1) an adult must sign for the delivery; and

17 (2) the person signing for the delivery must show valid
18 government-issued identification that contains a photograph of
19 the person signing for the delivery and indicates that the
20 person signing for the delivery is of legal age to purchase
21 tobacco products and resides at the delivery address.

22 (d) The retailer must provide delivery instructions that
23 clearly indicate the requirements of this subdivision and must
24 declare that state law requires compliance with the requirements.

25 (e) No criminal penalty may be imposed on a person for a
26 violation of this section other than a violation described in
27 paragraph (f) or (g). Whenever it appears to the commissioner
28 that any person has engaged in any act or practice constituting
29 a violation of this section, and the violation is not within two
30 years of any previous violation of this section, the
31 commissioner shall issue and cause to be served upon the person
32 an order requiring the person to cease and desist from violating
33 this section. The order must give reasonable notice of the
34 rights of the person to request a hearing and must state the
35 reason for the entry of the order. Unless otherwise agreed
36 between the parties, a hearing shall be held not later than

1 seven days after the request for the hearing is received by the
2 commissioner after which and within 20 days after the receipt of
3 the administrative law judge's report and subsequent exceptions
4 and argument, the commissioner shall issue an order vacating the
5 cease and desist order, modifying it, or making it permanent as
6 the facts require. If no hearing is requested within 30 days of
7 the service of the order, the order becomes final and remains in
8 effect until modified or vacated by the commissioner. All
9 hearings shall be conducted in accordance with the provisions of
10 chapter 14. If the person to whom a cease and desist order is
11 issued fails to appear at the hearing after being duly notified,
12 the person shall be deemed in default, and the proceeding may be
13 determined against the person upon consideration of the cease
14 and desist order, the allegations of which may be deemed to be
15 true.

16 (f) Any person who violates this section within two years
17 of a violation for which a cease and desist order was issued
18 under paragraph (e), is guilty of a misdemeanor.

19 (g) Any person who commits a third or subsequent violation
20 of this section, including a violation for which a cease and
21 desist order was issued under paragraph (c), within any
22 subsequent two-year period is guilty of a gross misdemeanor.

23 Subd. 4. [COMMON CARRIERS.] This section may not be
24 construed as imposing liability upon any common carrier, or
25 officers or employees of the common carrier, when acting within
26 the scope of business of the common carrier.

27 Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making
28 delivery sales or shipping tobacco products in connection with
29 any sales, an out-of-state retailer must meet the requirements
30 of section 297F.031.

31 Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any
32 tobacco products to a purchaser in this state, the out of state
33 retailer shall comply with all requirements of chapter 297F and
34 shall ensure that all state excise taxes and fees that apply to
35 such tobacco products have been collected and paid to the state
36 and that all related state excise tax stamps or other indicators

1 of state excise tax payment have been properly affixed to those
2 tobacco products.

3 (b) In addition to any penalties under chapter 297F, a
4 distributor who fails to pay any tax due according to paragraph
5 (a) shall pay, in addition to any other penalty, a penalty of 50
6 percent of the tax due but unpaid.

7 Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that
8 apply to in-state tobacco product retailers shall apply to
9 Internet and mail-order sellers that sell into this state.

10 Subd. 8. [FORFEITURE.] Any tobacco product sold or
11 attempted to be sold in a delivery sale that does not meet the
12 requirements of this section is deemed to be contraband and is
13 subject to forfeiture in the same manner as and in accordance
14 with the provisions of section 297F.21.

15 Subd. 9. [CIVIL PENALTIES.] A tobacco retailer or
16 distributor who violates this section or rules adopted under
17 this section is subject to the following fines:

18 (1) for the first violation, a fine of not more than
19 \$1,000; and

20 (2) for the second and any subsequent violation, a fine of
21 not more than \$5,000.

22 Subd. 10. [ENFORCEMENT.] The attorney general may bring an
23 action to enforce this section and may seek injunctive relief,
24 including a preliminary or final injunction, and fines,
25 penalties, and equitable relief and may seek to prevent or
26 restrain actions in violation of this section by any person or
27 any person controlling such person. In addition, a violation of
28 this section is a violation of the Unlawful Trade Practices Act,
29 sections 325D.09 to 325D.16.

30 [EFFECTIVE DATE.] This section is effective the day
31 following final enactment.

32 Sec. 19. Minnesota Statutes 2004, section 366.011, is
33 amended to read:

34 366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

35 A town may impose a reasonable service charge for emergency
36 services, including fire, rescue, medical, and related services

1 provided by the town or contracted for by the town. If the
2 service charge remains unpaid 30 days after a notice of
3 delinquency is sent to the recipient of the service or the
4 recipient's representative or estate, the town or its contractor
5 on behalf of the town may use any lawful means allowed to a
6 private party for the collection of an unsecured delinquent
7 debt. The town may also use the authority of section 366.012 to
8 collect unpaid service charges of this kind from delinquent
9 recipients of services who are owners of taxable real property
10 in the ~~town~~ state.

11 The powers conferred by this section are in addition and
12 supplemental to the powers conferred by any other law for a town
13 to impose a service charge or assessment for a service provided
14 by the town or contracted for by the town.

15 Sec. 20. Minnesota Statutes 2004, section 366.012, is
16 amended to read:

17 366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

18 If a town is authorized to impose a service charge ~~on the~~
19 ~~owner, lessee, or occupant of property, or any of them,~~ for a
20 governmental service provided by the town, the town board may
21 certify to the county auditor of the county in which the
22 recipient of the services owns real property, on or before
23 October 15 for each year, any unpaid service charges which shall
24 then be collected together with property taxes levied against
25 the property. The county auditor shall remit to the town all
26 service charges collected by the auditor on behalf of the town.
27 A charge may be certified to the auditor only if, on or before
28 September 15, the town has given written notice to the property
29 owner of its intention to certify the charge to the auditor.
30 The service charges shall be subject to the same penalties,
31 interest, and other conditions provided for the collection of
32 property taxes. This section is in addition to other law
33 authorizing the collection of unpaid costs and service charges.

34 Sec. 21. [COMPACTS; RETALIATORY TAXES.]

35 The commissioner of revenue may enter into compact
36 agreements with other states for the purpose of eliminating

1 retaliatory insurance premiums tax provisions between this state
2 and other states. The commissioner shall report to the
3 chairpersons of the house and senate tax committees, on or
4 before February 1, 2006, on the actions the commissioner has
5 taken to enter into compact agreements with other states.

Tax 2 Draft
2005 Session
3-18-05

NOTE: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

Dollars in 1000's

Bill #	Author	List	n	Fund	Senate			Senate			
					FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Income Tax											
Corporate											
1624	Marty	B	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100	
2945	Moua	C	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)	
2655	Dibble	C	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)	
Individual											
x 2171	Scheid	C	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)	
x 2910	Belanger	C	Exempt State Active Service by National Guard (1/1/05)	GF	(42)	(42)	(84)	(42)	(42)	(84)	
			Conform to Military Family Tax Relief Act of 2003	GF	(680)	(330)	(1,010)	(340)	(350)	(690)	
			Subtraction for All Active Duty Military Pay (replace NR for out of state) 1/1/05		(960)	(970)	(1,930)	(980)	(990)	(1,970)	
x 2683	Rest	C	AMT: Full Charitable Deduction, Dependent Exemption Deduction; Increase Exemption Amounts and Phaseouts (1/1/06)	GF	(25,600)	(29,500)	(55,100)	(33,600)	(37,300)	(70,900)	
			Increase Top Rate from 7.85% to 8 Percent (1/1/06)	GF	11,500	37,400	48,900	39,200	42,000	81,200	
? 2702	Ortman	C	K-12 Credit- Remove Family Limit on Maximum Credit (1/1/06)	GF	0	(450)	(450)	(470)	(490)	(960)	
			Working Families Tax Relief Act	GF	(190)	(160)	(350)	(170)	(175)	(345)	
			Uniform Definitions for Child Care	GF	(80)	0	(80)	0	0	0	
			Combat Pay in Earned Income for EIC	GF	(2,400)	0	(2,400)	0	0	0	
			Deduction for Teacher Expenses	GF	(1,310)	90	(1,220)	55	45	100	
	Pogemiller	C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,640)	(2,200)	(3,840)	0	0	0	
Corporate Franchise and Individual Income Tax Total					GF	(21,754)	2,591	(19,163)	2,251	1,250	3,501
Sales											
2654	Stumpf	C	Geothermal Equipment Sales Tax Exemption (7/1/05)	GF	(950)	(1,050)	(2,000)	0	0	0	
3011	Rosen	B	Exemption for Biomass Burning Stoves (7/1/05)	GF	(610)	(700)	(1,310)	0	0	0	
			Reverse Sprint Court Case: Wire,Cable,Fiber, Poles and Conduit Taxable (8/1/01)	GF	1,500	1,560	3,060	1,620	1,690	3,310	
2850	Sams	C	Exemption for Movie and Television Productions (7/1/05)	GF	(450)	(490)	(940)	0	0	0	
Delay 3044	Ortman	C	Exemption for Public Safety Radio Construction Inputs (7/1/06)	GF	0	(1,720)	(1,720)	(2,050)	(30)	(2,080)	
3044	Betzold	C	Commuter Rail Construction Sales Tax Exemption (7/1/05)	GF	(4,300)	(4,300)	(8,600)	0	0	0	
3045	Betzold	C	Diesel Fuel Sales Exemption for Commuter Rail	GF	0	0	0	0	(20)	(20)	
1703	Solon	C	Duluth Personal Rapid Transit Construction Inputs Exempt (7/1/08)	GF	0	0	0	0	(200)	(200)	
2900	Tomassoni	B	Exempt Donated Meals (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.	
2734	Murphy	B	Exempt Limited Flea Market Sales (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.	
			Waste Recovery Facility Exemptions: (7/1/05)								
1956	Kiscaden	C	Olmstead County	GF	0	(745)	(745)	(813)	(68)	(881)	
			Red Wing	GF	0	(70)	(70)	(13)	0	(13)	
			Minneapolis	GF	(70)	(190)	(260)	0	0	0	
				GF							
1706	Solon	C	Construction Inputs Exemption St. Mary's Hospital Only (7/1/05-12/31/07)	GF	(61)	0	(61)	0	0	0	
2969	Kubly	A	Construction Sales Tax Exemption/Turkey Litter Biomass (Extend to 6/30/06)	GF	(800)	0	(800)	0	0	0	

Tax 2 Draft
2005 Session
3-18-05

NOTE: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

Dollars in 1000's

Bill #	Author	List	n	Fund	Senate			Senate		
					FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
	Stumpf		Thief River Falls--retroactive construction exemption for arena (7/1/02)	GF	(350)	0	(350)	0	0	0
657	Day	A	Medford Sales Tax	GF	0	0	0	0	0	0
742	Skoe	A	Park Rapids Sales Tax	GF	0	0	0	0	0	0
1360	Bakk	A	Beaver Bay Sales Tax	GF	0	0	0	0	0	0
x			Upfront Tax Payment on Vehicle Leases		18,921	19,749	38,670	5,609	744	6,353
x			Tobacco Taxes--Compliance		2,250	2,700	4,950	2,700	2,700	5,400
x			Tobacco Taxes--Payment Shift		5,800	0	5,800	0	0	0
405	Dibble	B	Exempt State and Local Government Fuel-Efficient Vehicles from MV Sales Tax (7/1/05-6/30/08)	GF	(16)	(18)	(34)	(20)	0	(20)
	Tomassoni	C	Virginia and Hibbing Biomass	GF	(470)	(1,055)	(1,525)	0	0	0
Total Sales Tax				GF	20,394	13,671	34,065	7,033	4,816	11,849
Property										
103	Cohen	C	LMV Provision Combined Estimate (Pay 2006)	GF	0	(3,390)	(3,390)	(2,830)	5,550	2,720
2908	Sams	C	Permanent Limited Market Value at 2005 Formula	GF	0	0	0	0	0	0
			LMV for Class 1c Homestead Resorts: PTR Cost	GF	0	0	0	0	0	0
			<i>Property Tax Refund Provisions:</i>							
2890	Vickerman	B	A. Wind Energy Conversion System Land Valuation	GF	0	0	0	Negl.	Negl.	Negl.
			B. Exemption for Electric Generating Facilities:							
2532	Murphy	A	Cannon Falls		0	0	0	(80)	(80)	0
2988	Robling	A	Shakopee		0	0	0	(35)	(35)	0
2564	Day	A	Faribault	GF	0	0	0	(13)	(13)	(26)
2676	Berglin	C	Sears Site Biomass	GF	0	0	0	0	(15)	(15)
			Poultry Litter Biomass	GF	0	0	0	0	(30)	(30)
			C. Valuation Exclusion for:							
2652	Pogemiller	A	Sewage Treatment System Improvements	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
2436	Higgins	B	Lead Hazard Reduction		Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
			D. Special Valuation Treatment for:							
2958	Hottinger	B	Aggregate Resource Preservation	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
322	Sams	2003	Class 1c Homestead Resorts	GF	0	0	0	Unknown	Unknown	Unknown
2974	Fischbach	A	E. Sauk River Watershed Levy	GF	0	(7)	(7)	(9)	(11)	(20)
2943	Senjum	A	F. Rochester TIF District Extended	GF	0	(68)	(68)	(68)	(68)	(136)
1366	Pogemiller	A 2005	G. Metro Council Transit Bonds	GF	0	0	0	(18)	(113)	(131)
1242	Moua	2003	H. 4d Subsidized Apartments Class Rate at .55%	GF	0	0	0	(1,320)	(1,400)	(2,720)
			Special assessments in senior property tax deferral	GF	0	(19)	(19)	(25)	(32)	(57)
779	Skoe	A	Class Rate Changes for Resorts	GF	0	(42)	(42)	(42)	(42)	(84)
Total Property Tax				GF	0	(3,526)	(3,526)	(4,440)	3,711	(723)
Aids and Credits										
1667	Saxhaug	C 2004	LUP Land Payments at \$3 Per Acre	GF	0	(295)	(295)	(303)	(311)	(614)
			Market Value Credit Savings from .7 ETR (not adjusted for SF 1209 MVC Changes)	GF	0	0	0	1,440	1,440	2,880
? ?	?	2004	Increased Equalization Aid Cost from Debt Service Levies on MV (EA cost from debt service levies not on DOR estimate)	GF	0	0	0	0	(360)	(360)
Total Aids and Credits				GF	0	(295)	(295)	1,137	769	-1,906
Local Development										
2478	Moua	2004	JOBZ: Prohibit Certain Retail (no updated estimate from DOR)	GF	160	390	550	460	600	1,060
Total Local Development					160	390	550	460	600	1,060
International Development										
Total International Development					0	0	0	0	0	0
Miscellaneous										
2406	Moua	C	Insurance Premium Tax Reduction to 1.5% (1/1/06)	GF	(3,300)	(8,400)	(11,700)	(8,700)	(9,000)	(17,700)

Tax 2 Draft
2005 Session
3-18-05

NOTE: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.
Dollars in 1000's

Bill #	Author	List	n	Fund	Senate			Senate		
					FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
3000	Pogemiller	C	Rate of 1.26% for Companies Selling Both Property And Casualty (CUNA) 1/1/06	GF	90	240	330	250	250	500
			BioScience Grants (effective 2010)	GF	0	0	0	0	0	0
			Fur Tax in Dept. Bill		(25)	0	0	0	0	0
			Frequency of Liquor tax Collections from Dept. Bill		(25)	0	0	0	0	0
Total Miscellaneous				GF	(3,260)	(8,160)	(11,370)	(8,450)	(8,750)	(17,200)
Grand Total General Fund				GF	(4,460)	4,671	261	(2,009)	2,396	387
Dedicated Funds										
405	Dibble		Motor Vehicle Sales Tax Exemption for Clean Fuel Vehicles	HUTDF	(10)	(11)	(21)	(12)	0	(12)
			Motor Vehicle Sales Tax Exemption for Clean Fuel Vehicles	MF	(7)	(8)	(15)	(9)	0	(9)
			Motor Vehicle Sales Tax Exemption for Clean Fuel Vehicles	GMTF	(1)	(1)	(2)	(1)	0	(1)
2881	Kleis		Checkoff for Terror Veterans	SR	280	310	590	330	360	690
1957	Moua		Dealer Titles (no revised estimate)	HUTDF	0	(58)	(58)	(59)	(61)	(120)
							0			0
Total Other Funds					262	232	494	249	299	548

Removed from Draft

Tax 2 Draft
2005 Session
3-18-05

NOTE: Negative numbers represent revenue losses (tax expenditures) or appropriations.
Positive numbers represent revenue gains or budget savings.

Dollars in 1000's

Bill #	Author	List	n	Fund	Senate			Senate		
					FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
Other Items with Non-Monetary or Negligible Financial Impact										
168	Ruud	A			0	0	0	0	0	0
830	Ourada	A			0	0	0	0	0	0
1502	Kiscaden	A			0	0	0	0	0	0
1701	Bakk	A			0	0	0	0	0	0
1826	Rest	A			0	0	0	0	0	0
1919	Hottinger	A			0	0	0	0	0	0
2105	Bakk	A			0	0	0	0	0	0
2117	Lourey	A			0	0	0	0	0	0
2278	Moua	A			0	0	0	0	0	0
2302	Pogemiller	A			0	0	0	0	0	0
2303	Pogemiller	A			0	0	0	0	0	0
2314	Belanger	A			0	0	0	0	0	0
2430	Moua	A			0	0	0	0	0	0
2431	Rest	A			0	0	0	0	0	0
2457	Betzold	A			0	0	0	0	0	0
2476	Belanger	A			0	0	0	0	0	0
2528	Pogemiller	A			0	0	0	0	0	0
2547	Murphy	A			0	0	0	0	0	0
2633	Belanger	A			0	0	0	0	0	0
2704	Sparks	A			0	0	0	0	0	0
2716	Moua	A			0	0	0	0	0	0
2927	Sams	A			0	0	0	0	0	0
2983	McGinn	A			0	0	0	0	0	0
2991	Vickerman	A			0	0	0	0	0	0
3008	Rest	A			0	0	0	0	0	0
3014	Marko	A			0	0	0	0	0	0
3019	Chaudhary	A			0	0	0	0	0	0
3020	Kleis	A			0	0	0	0	0	0
2353	Stumpf	A			0	0	0	0	0	0
1542	Rosen	B			0	0	0	0	0	0
1675	Moua	B			0	0	0	0	0	0
1778	Kierlin	B			0	0	0	0	0	0
1983	Scheid	B			0	0	0	0	0	0
2261	Murphy	B			0	0	0	0	0	0
2281	Pogemiller	B			0	0	0	0	0	0
2304	Pogemiller	B			0	0	0	0	0	0
2546	Murphy	B			0	0	0	0	0	0
2674	Hottinger	B			0	0	0	0	0	0
2716	Moua	B			0	0	0	0	0	0
2719	Langseth	B			0	0	0	0	0	0
2921	Hottinger	B			0	0	0	0	0	0
2970	Larson	B			0	0	0	0	0	0
2998	Betzold	B			0	0	0	0	0	0
774	Ourada	C			0	0	0	0	0	0
961	Lourey	C			0	0	0	0	0	0
996	Rest	C			0	0	0	0	0	0
1175	Anderson	C			0	0	0	0	0	0
1731	Kierlin	C			0	0	0	0	0	0
1925	Kleis	C			0	0	0	0	0	0
2049	Kiscaden	C			0	0	0	0	0	0
2576	Bakk	C			0	0	0	0	0	0
2682	Limmer	C			0	0	0	0	0	0
2716	Moua	C			0	0	0	0	0	0
2801	Anderson	C			0	0	0	0	0	0
2875	Day	C			0	0	0	0	0	0
321	Ruud	2003			0	0	0	0	0	0
573	Bakk	2003			0	0	0	0	0	0
675	Day	2003			0	0	0	0	0	0
742	Skoe	2003			0	0	0	0	0	0
961	Lourey	2003			0	0	0	0	0	0
1003	Bakk	2003			0	0	0	0	0	0
1145	Tomassoni	2003			0	0	0	0	0	0
1229	Rest	2003			0	0	0	0	0	0
1360	Bakk	2003			0	0	0	0	0	0
1394	Tomassoni	2003			0	0	0	0	0	0
	Pogemiller				0	0	0	0	0	0
	Pogemiller				0	0	0	0	0	0
1505		2003			0	0	0	0	0	0
	Pogemiller				0	0	0	0	0	0

(A) May

1 Senator moves to amend the Local Development article
2 (BL0870) as follows:

3 Page 21, after line 24, insert:

4 "Sec. 17. Minnesota Statutes 2004, section 469.1763,
5 subdivision 2, is amended to read:

6 Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax
7 increment financing district, an amount equal to at least 75
8 percent of the total revenue derived from tax increments paid by
9 properties in the district must be expended on activities in the
10 district or to pay bonds, to the extent that the proceeds of the
11 bonds were used to finance activities in the district or to pay,
12 or secure payment of, debt service on credit enhanced bonds.
13 For districts, other than redevelopment districts for which the
14 request for certification was made after June 30, 1995, the
15 in-district percentage for purposes of the preceding sentence is
16 80 percent. Not more than 25 percent of the total revenue
17 derived from tax increments paid by properties in the district
18 may be expended, through a development fund or otherwise, on
19 activities outside of the district but within the defined
20 geographic area of the project except to pay, or secure payment
21 of, debt service on credit enhanced bonds. For districts, other
22 than redevelopment districts for which the request for
23 certification was made after June 30, 1995, the pooling
24 percentage for purposes of the preceding sentence is 20
25 percent. The revenue derived from tax increments for the
26 district that are expended on costs under section 469.176,
27 subdivision 4h, paragraph (b), may be deducted first before
28 calculating the percentages that must be expended within and
29 without the district.

30 (b) In the case of a housing district, a housing project,
31 as defined in section 469.174, subdivision 11, is an activity in
32 the district.

33 (c) All administrative expenses are for activities outside
34 of the district, except that if the only expenses for activities
35 outside of the district under this subdivision are for the
36 purposes described in paragraph (d), administrative expenses

1 will be considered as expenditures for activities in the
2 district.

3 (d) The authority may elect, in the tax increment financing
4 plan for the district, to increase by up to ten percentage
5 points the permitted amount of expenditures for activities
6 located outside the geographic area of the district under
7 paragraph (a). As permitted by section 469.176, subdivision 4k,
8 the expenditures, including the permitted expenditures under
9 paragraph (a), need not be made within the geographic area of
10 the project. Expenditures that meet the requirements of this
11 paragraph are legally permitted expenditures of the district,
12 notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
13 To qualify for the increase under this paragraph, the
14 expenditures must:

15 (1) be used exclusively to assist housing that meets the
16 requirement for a qualified low-income building, as that term is
17 used in section 42 of the Internal Revenue Code;

18 (2) not exceed the qualified basis of the housing, as
19 defined under section 42(c) of the Internal Revenue Code, less
20 the amount of any credit allowed under section 42 of the
21 Internal Revenue Code; and

22 (3) be used to:

23 (i) acquire and prepare the site of the housing;
24 (ii) acquire, construct, or rehabilitate the housing; or
25 (iii) make public improvements directly related to the
26 housing.

27 (e) For a district created within a biotechnology and
28 health sciences industry zone as defined in section 469.330,
29 subdivision 6, tax increment derived from such a district may be
30 expended outside of the district but within the zone only for
31 expenditures required for the construction of public
32 infrastructure necessary to support the activities of the zone."

33 Renumber the sections in sequence and correct the internal
34 references

35 Amend the title accordingly

A

1 Senator moves to amend the Local Development article
2 (BL0870) as follows:

3 Page 7, after line 21, insert:

4 "Sec. 8. Minnesota Statutes 2004, section 272.0212,
5 subdivision 1, is amended to read:

6 Subdivision 1. [EXEMPTION.] All qualified property in a
7 zone is exempt to the extent and for a period up to the duration
8 provided by the zone designation and under sections 469.1731 to
9 469.1735.

10 [EFFECTIVE DATE.] This section is effective for development
11 agreements approved after the day following final enactment and
12 beginning for property taxes payable in 2006.

13 Sec. 9. Minnesota Statutes 2004, section 272.0212,
14 subdivision 2, is amended to read:

15 Subd. 2. [LIMITS ON EXEMPTION.] (a) Property in a zone is
16 not exempt under this section from the following:

- 17 (1) special assessments;
- 18 (2) ad valorem property taxes specifically levied for the
- 19 payment of principal and interest on debt obligations; and
- 20 (3) all taxes levied by a school district, except school
- 21 referendum levies as defined in section 126C.17.

22 (b) The city may limit the property tax exemption to a
23 shorter period than the duration of the zone or to a percentage
24 of the property taxes payable or both.

25 [EFFECTIVE DATE.] This section is effective for development
26 agreements approved after the day following final enactment and
27 beginning for property taxes payable in 2006."

28 Page 9, after line 23, insert:

29 "Sec. 11. Minnesota Statutes 2004, section 469.169, is
30 amended by adding a subdivision to read:

31 Subd. 17. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In
32 addition to tax reductions authorized in subdivisions 7 to 16,
33 the commissioner shall allocate \$750,000 for tax reductions to
34 border city enterprise zones in cities located on the western
35 border of the state. The commissioner shall make allocations to
36 zones in cities on the western border on a per capita basis.

1 Allocations made under this subdivision may be used for tax
2 reductions as provided in section 469.171, or for other offsets
3 of taxes imposed on or remitted by businesses located in the
4 enterprise zone, but only if the municipality determines that
5 the granting of the tax reduction or offset is necessary in
6 order to retain a business within or attract a business to the
7 zone. Any portion of the allocation provided in this paragraph
8 may alternatively be used for tax reductions under section
9 469.1732 or 469.1734.

10 (b) The commissioner shall allocate \$750,000 for tax
11 reductions under section 469.1732 or 469.1734 to cities with
12 border city enterprise zones located on the western border of
13 the state. The commissioner shall allocate this amount among
14 the cities on a per capita basis. Any portion of the allocation
15 provided in this paragraph may alternatively be used for tax
16 reductions as provided in section 469.171.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment."

19 Renumber the sections in sequence and correct the internal
20 references

21 Amend the title accordingly

(A) TOM

1 Senator moves to amend the Public Finance article
2 (BL0850) as follows:

3 Pages 10 and 11, delete section 11

4 Renumber the sections in sequence and correct the internal
5 references

6 Amend the title accordingly



1 Senator moves to amend the Public Finance article
2 (BL0850) as follows:

3 Page 6, after line 17, insert:

4 "Sec. 5. Minnesota Statutes 2004, section 400.04, is
5 amended by adding a subdivision to read:

6 Subd. 4a. [PERFORMANCE BOND WAIVER OR
7 ALTERNATIVE.] Notwithstanding the requirements of section 574.26
8 or any other public works bond requirements for a solid waste
9 facilities project established under an agreement authorized
10 under chapter 115A or chapter 400, the county may waive the
11 requirement for performance bonds or accept another form of
12 financial guarantee in any amount acceptable to the county, if
13 the project is partially or fully funded by a county, and the
14 county is not liable for financial acceptance until performance
15 guarantees or other standards established under the agreement
16 have been satisfied."

17 Renumber the sections in sequence and correct the internal
18 references

19 Amend the title accordingly

delete all but 5.1 - send S. 1 to

Senator Pogemiller introduced--

S.F. No. 971: Referred to the Committee on Finance.

Commerce

1

A bill for an act

2 relating to public finance; modifying requirements
3 relating to financial statements; authorizing
4 purchases of certain guaranteed investment contracts;
5 authorizing a special levy; modifying the authority of
6 cities and counties to finance purchases of computers
7 and related items; extending the term of certain
8 notes; clarifying the financing of conservation
9 easements; extending sunsets on establishment of
10 special service districts and housing improvement
11 areas; providing for financing of certain
12 improvements; extending the maximum maturity of
13 certain bonds; revising time for certain notices of
14 issues; exempting obligations issued to pay judgments
15 from net debt limits; modifying the authority to
16 finance street reconstruction; modifying limits on
17 city capital improvement bonds and enabling certain
18 towns to issue bonds under a capital improvement plan;
19 amending Minnesota Statutes 2004, sections 80A.25,
20 subdivision 3; 118A.05, subdivision 5; 275.70,
21 subdivision 5; 373.01, subdivision 3; 373.40,
22 subdivision 1; 410.32; 412.301; 428A.101; 428A.21;
23 429.031, by adding a subdivision; 429.051; 469.034,
24 subdivision 2; 469.158; 474A.131, subdivision 1;
25 475.51, subdivision 4; 475.52, subdivisions 1, 3, 4;
26 475.521, subdivisions 1, 2, 3, 4; 475.58, subdivision
27 3b.

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

29 * Section 1. Minnesota Statutes 2004, section 80A.25,
30 subdivision 3, is amended to read:

31 Subd. 3. [FINANCIAL STATEMENTS.] The commissioner may by
32 rule or order prescribe (a) the form and content of financial
33 statements required under sections 80A.01 to 80A.31, (b) the
34 circumstances under which consolidated financial statements
35 shall be filed, and (c) whether any required financial
36 statements shall be certified by independent or certified public

1 accountants. All financial statements shall be prepared in
2 accordance with generally accepted accounting principles unless
3 otherwise permitted by rule or order. The commissioner may not
4 require, as a condition of registration, the consent of the
5 independent or certified public accountants to the use of
6 financial statements in the offering documents.

7 Sec. 2. Minnesota Statutes 2004, section 118A.05,
8 subdivision 5, is amended to read:

9 Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or
10 contracts for guaranteed investment contracts may be entered
11 into if they are issued or guaranteed by United States
12 commercial banks, domestic branches of foreign banks, United
13 States insurance companies, or their Canadian subsidiaries, or
14 the domestic affiliates of any of the foregoing. The credit
15 quality of the issuer's or guarantor's short- and long-term
16 unsecured debt must be rated in one of the two highest
17 categories by a nationally recognized rating agency. Should the
18 issuer's or guarantor's credit quality be downgraded below "A",
19 the government entity must have withdrawal rights.

20 Sec. 3. Minnesota Statutes 2004, section 275.70,
21 subdivision 5, is amended to read:

22 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
23 portions of ad valorem taxes levied by a local governmental unit
24 for the following purposes or in the following manner:

25 (1) to pay the costs of the principal and interest on
26 bonded indebtedness or to reimburse for the amount of liquor
27 store revenues used to pay the principal and interest due on
28 municipal liquor store bonds in the year preceding the year for
29 which the levy limit is calculated;

30 (2) to pay the costs of principal and interest on
31 certificates of indebtedness issued for any corporate purpose
32 except for the following:

33 (i) tax anticipation or aid anticipation certificates of
34 indebtedness;

35 (ii) certificates of indebtedness issued under sections
36 298.28 and 298.282;

1 (iii) certificates of indebtedness used to fund current
2 expenses or to pay the costs of extraordinary expenditures that
3 result from a public emergency; or

4 (iv) certificates of indebtedness used to fund an
5 insufficiency in tax receipts or an insufficiency in other
6 revenue sources;

7 (3) to provide for the bonded indebtedness portion of
8 payments made to another political subdivision of the state of
9 Minnesota;

10 (4) to fund payments made to the Minnesota State Armory
11 Building Commission under section 193.145, subdivision 2, to
12 retire the principal and interest on armory construction bonds;

13 (5) property taxes approved by voters which are levied
14 against the referendum market value as provided under section
15 275.61;

16 (6) to fund matching requirements needed to qualify for
17 federal or state grants or programs to the extent that either
18 (i) the matching requirement exceeds the matching requirement in
19 calendar year 2001, or (ii) it is a new matching requirement
20 that did not exist prior to 2002;

21 (7) to pay the expenses reasonably and necessarily incurred
22 in preparing for or repairing the effects of natural disaster
23 including the occurrence or threat of widespread or severe
24 damage, injury, or loss of life or property resulting from
25 natural causes, in accordance with standards formulated by the
26 Emergency Services Division of the state Department of Public
27 Safety, as allowed by the commissioner of revenue under section
28 275.74, subdivision 2;

29 (8) pay amounts required to correct an error in the levy
30 certified to the county auditor by a city or county in a levy
31 year, but only to the extent that when added to the preceding
32 year's levy it is not in excess of an applicable statutory,
33 special law or charter limitation, or the limitation imposed on
34 the governmental subdivision by sections 275.70 to 275.74 in the
35 preceding levy year;

36 (9) to pay an abatement under section 469.1815;

1 (10) to pay any costs attributable to increases in the
2 employer contribution rates under chapter 353 that are effective
3 after June 30, 2001;

4 (11) to pay the operating or maintenance costs of a county
5 jail as authorized in section 641.01 or 641.262, or of a
6 correctional facility as defined in section 241.021, subdivision
7 1, paragraph (f), to the extent that the county can demonstrate
8 to the commissioner of revenue that the amount has been included
9 in the county budget as a direct result of a rule, minimum
10 requirement, minimum standard, or directive of the Department of
11 Corrections, or to pay the operating or maintenance costs of a
12 regional jail as authorized in section 641.262. For purposes of
13 this clause, a district court order is not a rule, minimum
14 requirement, minimum standard, or directive of the Department of
15 Corrections. If the county utilizes this special levy, except
16 to pay operating or maintenance costs of a new regional jail
17 facility under sections 641.262 to 641.264 which will not
18 replace an existing jail facility, any amount levied by the
19 county in the previous levy year for the purposes specified
20 under this clause and included in the county's previous year's
21 levy limitation computed under section 275.71, shall be deducted
22 from the levy limit base under section 275.71, subdivision 2,
23 when determining the county's current year levy limitation. The
24 county shall provide the necessary information to the
25 commissioner of revenue for making this determination;

26 (12) to pay for operation of a lake improvement district,
27 as authorized under section 103B.555. If the county utilizes
28 this special levy, any amount levied by the county in the
29 previous levy year for the purposes specified under this clause
30 and included in the county's previous year's levy limitation
31 computed under section 275.71 shall be deducted from the levy
32 limit base under section 275.71, subdivision 2, when determining
33 the county's current year levy limitation. The county shall
34 provide the necessary information to the commissioner of revenue
35 for making this determination;

36 (13) to repay a state or federal loan used to fund the

1 direct or indirect required spending by the local government due
 2 to a state or federal transportation project or other state or
 3 federal capital project. This authority may only be used if the
 4 project is not a local government initiative;

5 (14) to pay for court administration costs as required
 6 under section 273.1398, subdivision 4b, less the (i) county's
 7 share of transferred fines and fees collected by the district
 8 courts in the county for calendar year 2001 and (ii) the aid
 9 amount certified to be paid to the county in 2004 under section
 10 273.1398, subdivision 4c; however, for taxes levied to pay for
 11 these costs in the year in which the court financing is
 12 transferred to the state, the amount under this clause is
 13 limited to the amount of aid the county is certified to receive
 14 under section 273.1398, subdivision 4a; and

15 (15) to fund a police or firefighters relief association as
 16 required under section 69.77 to the extent that the required
 17 amount exceeds the amount levied for this purpose in 2001; and

18 (16) for purposes of a storm sewer improvement district,
 19 pursuant to section 444.20.

20 Sec. 4. Minnesota Statutes 2004, section 373.01,
 21 subdivision 3, is amended to read:

22 Subd. 3. [CAPITAL NOTES.] (a) A county board may, by
 23 resolution and without referendum, issue capital notes subject
 24 to the county debt limit to purchase capital equipment useful
 25 for county purposes that has an expected useful life at least
 26 equal to the term of the notes. The notes shall be payable in
 27 not more than five ten years and shall be issued on terms and in
 28 a manner the board determines. A tax levy shall be made for
 29 payment of the principal and interest on the notes, in
 30 accordance with section 475.61, as in the case of bonds.

31 (b) For purposes of this subdivision, "capital equipment"
 32 means:

33 (1) public safety, ambulance, road construction or
 34 maintenance, and medical equipment; and

35 (2) computer hardware and ~~original-operating-system~~
 36 software, whether bundled with machinery or equipment or

1 unbundled, together with application development services and
2 training related to the use of the computer or software. The
3 ~~authority-to-issue-capital-notes-for-original-operating-systems~~
4 ~~software-expires-on-July-17-2005.~~

5 Sec. 5. Minnesota Statutes 2004, section 373.40,
6 subdivision 1, is amended to read:

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

9 (a) "Bonds" means an obligation as defined under section
10 475.51.

11 (b) "Capital improvement" means acquisition or betterment
12 of public lands, ~~development-rights-in-the-form-of-conservation~~
13 ~~easements-under-chapter-84C,~~ buildings, or other improvements
14 within the county for the purpose of a county courthouse,
15 administrative building, health or social service facility,
16 correctional facility, jail, law enforcement center, hospital,
17 morgue, library, park, qualified indoor ice arena, and roads and
18 bridges, and the acquisition of development rights in the form
19 of conservation easements under chapter 84C. An improvement
20 must have an expected useful life of five years or more to
21 qualify. "Capital improvement" does not include light rail
22 transit or any activity related to it or a recreation or sports
23 facility building (such as, but not limited to, a gymnasium, ice
24 arena, racquet sports facility, swimming pool, exercise room or
25 health spa), unless the building is part of an outdoor park
26 facility and is incidental to the primary purpose of outdoor
27 recreation.

28 (c) "Commissioner" means the commissioner of employment and
29 economic development.

30 (d) "Metropolitan county" means a county located in the
31 seven-county metropolitan area as defined in section 473.121 or
32 a county with a population of 90,000 or more.

33 (e) "Population" means the population established by the
34 most recent of the following (determined as of the date the
35 resolution authorizing the bonds was adopted):

36 (1) the federal decennial census,

1 (2) a special census conducted under contract by the United
2 States Bureau of the Census, or

3 (3) a population estimate made either by the Metropolitan
4 Council or by the state demographer under section 4A.02.

5 (f) "Qualified indoor ice arena" means a facility that
6 meets the requirements of section 373.43.

7 (g) "Tax capacity" means total taxable market value, but
8 does not include captured market value.

9 Sec. 6. Minnesota Statutes 2004, section 410.32, is
10 amended to read:

11 410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL
12 EQUIPMENT.]

13 (a) Notwithstanding any contrary provision of other law or
14 charter, a home rule charter city may, by resolution and without
15 public referendum, issue capital notes subject to the city debt
16 limit to purchase capital equipment.

17 (b) For purposes of this section, "capital equipment" means:

18 (1) public safety equipment, ambulance and other medical
19 equipment, road construction and maintenance equipment, and
20 other capital equipment; and

21 (2) computer hardware and ~~original-operating-system~~
22 software, provided whether bundled with machinery or equipment
23 or unbundled, together with application development services and
24 training related to the use of the computer or software.

25 (c) The equipment or software has must have an expected
26 useful life at least as long as the term of the notes. The
27 ~~authority-to-issue-capital-notes-for-original-operating-system~~
28 ~~software-expires-on-July-17-2005-~~

29 (d) The notes shall be payable in not more than five ten
30 years and be issued on terms and in the manner the city
31 determines. The total principal amount of the capital notes
32 issued in a fiscal year shall not exceed 0.03 percent of the
33 market value of taxable property in the city for that year.

34 (e) A tax levy shall be made for the payment of the
35 principal and interest on the notes, in accordance with section
36 475.61, as in the case of bonds.

1 (f) Notes issued under this section shall require an
2 affirmative vote of two-thirds of the governing body of the city.

3 (g) Notwithstanding a contrary provision of other law or
4 charter, a home rule charter city may also issue capital notes
5 subject to its debt limit in the manner and subject to the
6 limitations applicable to statutory cities pursuant to section
7 412.301.

8 Sec. 7. Minnesota Statutes 2004, section 412.301, is
9 amended to read:

10 412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

11 (a) The council may issue certificates of indebtedness or
12 capital notes subject to the city debt limits to
13 purchase capital equipment.

14 (b) For purposes of this section, "capital equipment" means:

15 (1) public safety equipment, ambulance and other medical
16 equipment, road construction ~~or~~ and maintenance equipment, and
17 other capital equipment; and

18 (2) computer hardware and ~~original-operating-system~~
19 software, provided whether bundled with machinery or equipment
20 or unbundled, together with application development services and
21 training related to the use of the computer or software.

22 (c) The equipment or software ~~has~~ must have an expected
23 useful life at least as long as the terms of the certificates or
24 notes. ~~The authority to issue capital notes for original~~
25 ~~operating-system software expires on July 17, 2005.~~

26 (d) Such certificates or notes shall be payable in not more
27 than ~~five~~ ten years and shall be issued on such terms and in
28 such manner as the council may determine.

29 (e) If the amount of the certificates or notes to be issued
30 to finance any such purchase exceeds 0.25 percent of the market
31 value of taxable property in the city, they shall not be issued
32 for at least ten days after publication in the official
33 newspaper of a council resolution determining to issue them; and
34 if before the end of that time, a petition asking for an
35 election on the proposition signed by voters equal to ten
36 percent of the number of voters at the last regular municipal

1 election is filed with the clerk, such certificates or notes
 2 shall not be issued until the proposition of their issuance has
 3 been approved by a majority of the votes cast on the question at
 4 a regular or special election.

5 (f) A tax levy shall be made for the payment of the
 6 principal and interest on such certificates or notes, in
 7 accordance with section 475.61, as in the case of bonds.

8 Sec. 8. Minnesota Statutes 2004, section 428A.101, is
 9 amended to read:

10 428A.101 [DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER
 11 GENERAL LAW.]

12 The establishment of a new special service district after
 13 June 30, ~~2005~~ 2009, requires enactment of a special law
 14 authorizing the establishment.

15 Sec. 9. Minnesota Statutes 2004, section 428A.21, is
 16 amended to read:

17 428A.21 [SUNSET.]

18 No new housing improvement areas may be established under
 19 sections 428A.11 to 428A.20 after June 30, ~~2005~~ 2009. After
 20 June 30, ~~2005~~ 2009, a city may establish a housing improvement
 21 area, provided that it receives enabling legislation authorizing
 22 the establishment of the area.

23 Sec. 10. Minnesota Statutes 2004, section 429.031, is
 24 amended by adding a subdivision to read:

25 Subd. 4. [IMPROVEMENTS; ORDERLY ANNEXATION.] An
 26 improvement may be made by a municipality in an area that is the
 27 subject of an orderly annexation agreement under section
 28 414.0325 to which the municipality is a party. The municipality
 29 may subsequently reimburse itself for all or any part of the
 30 cost of such an improvement by levying assessments on the
 31 property subject to the orderly annexation agreement, when
 32 annexed, in the manner provided in section 429.051.

33 Sec. 11. Minnesota Statutes 2004, section 429.051, is
 34 amended to read:

35 429.051 [APPORTIONMENT OF COST.]

36 The cost of any improvement, or any part thereof, may be

1 assessed upon property benefited by the improvement, based upon
2 the benefits received, whether or not the property abuts on the
3 improvement and whether or not any part of the cost of the
4 improvement is paid from the county state-aid highway fund, the
5 municipal state-aid street fund, or the trunk highway fund. The
6 area assessed may be less than but may not exceed the area
7 proposed to be assessed as stated in the notice of hearing on
8 the improvement, except as provided below. The municipality may
9 pay such portion of the cost of the improvement as the council
10 may determine from general ad valorem tax levies or from other
11 revenues or funds of the municipality available for the
12 purpose. The municipality may subsequently reimburse itself for
13 all or any of the portion of the cost of ~~a-water, storm-sewer,~~
14 ~~or-sanitary-sewer~~ an improvement so paid by levying additional
15 assessments upon any properties abutting on but not previously
16 assessed for the improvement, on notice and hearing as provided
17 for the assessments initially made. To the extent that such an
18 improvement benefits nonabutting properties which may be served
19 by the improvement when one or more later extensions or
20 improvements are made but which are not initially assessed
21 therefor, the municipality may also reimburse itself by adding
22 all or any of the portion of the cost so paid to the assessments
23 levied for any of such later extensions or improvements,
24 provided that notice that such additional amount will be
25 assessed is included in the notice of hearing on the making of
26 such extensions or improvements. The additional assessments
27 herein authorized may be made whether or not the properties
28 assessed were included in the area described in the notice of
29 hearing on the making of the original improvement.

30 In any city of the fourth class electing to proceed under a
31 home rule charter as provided in this chapter, which charter
32 provides for a board of water commissioners and authorizes such
33 board to assess a water frontage tax to defray the cost of
34 construction of water mains, such board may assess the tax based
35 upon the benefits received and without regard to any charter
36 limitation on the amount that may be assessed for each lineal

1 foot of property abutting on the water main. The water frontage
2 tax shall be imposed according to the procedure and, except as
3 herein provided, subject to the limitations of the charter of
4 the city.

5 Sec. 12. Minnesota Statutes 2004, section 469.034,
6 subdivision 2, is amended to read:

7 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
8 authority may pledge the general obligation of the general
9 jurisdiction governmental unit as additional security for bonds
10 payable from income or revenues of the project or the
11 authority. The authority must find that the pledged revenues
12 will equal or exceed 110 percent of the principal and interest
13 due on the bonds for each year. The proceeds of the bonds must
14 be used for a qualified housing development project or
15 projects. The obligations must be issued and sold in the manner
16 and following the procedures provided by chapter 475, except the
17 obligations are not subject to approval by the electors, and the
18 maturities may extend to not more than ~~30~~ 35 years ~~from the~~
19 ~~estimated-date-of-completion-of-the-project~~ for obligations sold
20 to finance housing for the elderly and 40 years for other
21 obligations issued under this subdivision. The authority is the
22 municipality for purposes of chapter 475.

23 (b) The principal amount of the issue must be approved by
24 the governing body of the general jurisdiction governmental unit
25 whose general obligation is pledged. Public hearings must be
26 held on issuance of the obligations by both the authority and
27 the general jurisdiction governmental unit. The hearings must
28 be held at least 15 days, but not more than 120 days, before the
29 sale of the obligations.

30 (c) The maximum amount of general obligation bonds that may
31 be issued and outstanding under this section equals the greater
32 of (1) one-half of one percent of the taxable market value of
33 the general jurisdiction governmental unit whose general
34 ~~obligation which includes a tax on property~~ is pledged, or (2)
35 \$3,000,000. In the case of county or multicounty general
36 obligation bonds, the outstanding general obligation bonds of

1 all cities in the county or counties issued under this
2 subdivision must be added in calculating the limit under clause
3 (1).

4 (d) "General jurisdiction governmental unit" means the city
5 in which the housing development project is located. In the
6 case of a county or multicounty authority, the county or
7 counties may act as the general jurisdiction governmental unit.
8 In the case of a multicounty authority, the pledge of the
9 general obligation is a pledge of a tax on the taxable property
10 in each of the counties.

11 (e) "Qualified housing development project" means a housing
12 development project providing housing either for the elderly or
13 for individuals and families with incomes not greater than 80
14 percent of the median family income as estimated by the United
15 States Department of Housing and Urban Development for the
16 standard metropolitan statistical area or the nonmetropolitan
17 county in which the project is located, and will be owned by the
18 authority for the term of the bonds. A qualified housing
19 development project may admit nonelderly individuals and
20 families with higher incomes if:

21 (1) three years have passed since initial occupancy;
22 (2) the authority finds the project is experiencing
23 unanticipated vacancies resulting in insufficient revenues,
24 because of changes in population or other unforeseen
25 circumstances that occurred after the initial finding of
26 adequate revenues; and

27 (3) the authority finds a tax levy or payment from general
28 assets of the general jurisdiction governmental unit will be
29 necessary to pay debt service on the bonds if higher income
30 individuals or families are not admitted.

31 Sec. 13. Minnesota Statutes 2004, section 469.158, is
32 amended to read:

33 469.158 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.]

34 Bonds authorized under sections 469.152 to 469.165 must be
35 issued in accordance with the provisions of chapter 475 relating
36 to bonds payable from income of revenue producing conveniences,

1 except that public sale is not required, the provisions of
2 sections 475.62 and 475.63 do not apply, and the bonds may
3 mature at the time or times, in the amount or amounts, within 30
4 40 years from date of issue, and may be sold at a price equal to
5 the percentage of the par value thereof, plus accrued interest,
6 and bearing interest at the rate or rates agreed by the
7 contracting party, the purchaser, and the municipality or
8 redevelopment agency, notwithstanding any limitation of interest
9 rate or cost or of the amounts of annual maturities contained in
10 any other law. Bonds issued to refund bonds previously issued
11 pursuant to sections 469.152 to 469.165 may be issued in amounts
12 determined by the municipality or redevelopment agency
13 notwithstanding the provisions of section 475.67, subdivision 3.

14 Sec. 14. Minnesota Statutes 2004, section 474A.131,
15 subdivision 1, is amended to read:

16 Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues
17 bonds with an allocation received under this chapter shall
18 provide a notice of issue to the department on forms provided by
19 the department stating:

- 20 (1) the date of issuance of the bonds;
- 21 (2) the title of the issue;
- 22 (3) the principal amount of the bonds;
- 23 (4) the type of qualified bonds under federal tax law;
- 24 (5) the dollar amount of the bonds issued that were subject
25 to the annual volume cap; and
- 26 (6) for entitlement issuers, whether the allocation is from
27 current year entitlement authority or is from carryforward
28 authority.

29 For obligations that are issued as a part of a series of
30 obligations, a notice must be provided for each series. A
31 penalty of one-half of the amount of the application deposit not
32 to exceed \$5,000 shall apply to any issue of obligations for
33 which a notice of issue is not provided to the department within
34 five business days after issuance or before ~~the last Monday~~ 4:30
35 p.m. on the last business day in December, whichever occurs
36 first. Within 30 days after receipt of a notice of issue the

1 department shall refund a portion of the application deposit
2 equal to one percent of the amount of the bonding authority
3 actually issued if a one percent application deposit was made,
4 or equal to two percent of the amount of the bonding authority
5 actually issued if a two percent application deposit was made,
6 less any penalty amount.

7 Sec. 15. Minnesota Statutes 2004, section 475.51,
8 subdivision 4, is amended to read:

9 Subd. 4. [NET DEBT.] "Net debt" means the amount remaining
10 after deducting from its gross debt the amount of current
11 revenues which are applicable within the current fiscal year to
12 the payment of any debt and the aggregate of the principal of
13 the following:

14 (1) Obligations issued for improvements which are payable
15 wholly or partly from the proceeds of special assessments levied
16 upon property specially benefited thereby, including those which
17 are general obligations of the municipality issuing them, if the
18 municipality is entitled to reimbursement in whole or in part
19 from the proceeds of the special assessments.

20 (2) Warrants or orders having no definite or fixed maturity.

21 (3) Obligations payable wholly from the income from revenue
22 producing conveniences.

23 (4) Obligations issued to create or maintain a permanent
24 improvement revolving fund.

25 (5) Obligations issued for the acquisition, and betterment
26 of public waterworks systems, and public lighting, heating or
27 power systems, and of any combination thereof or for any other
28 public convenience from which a revenue is or may be derived.

29 (6) Debt service loans and capital loans made to a school
30 district under the provisions of sections 126C.68 and 126C.69.

31 (7) Amount of all money and the face value of all
32 securities held as a debt service fund for the extinguishment of
33 obligations other than those deductible under this subdivision.

34 (8) Obligations to repay loans made under section 216C.37.

35 (9) Obligations to repay loans made from money received
36 from litigation or settlement of alleged violations of federal

1 petroleum pricing regulations.

2 (10) Obligations issued to pay pension fund liabilities
3 under section 475.52, subdivision 6, or any charter authority.

4 (11) Obligations issued to pay judgments against the
5 municipality under section 475.52, subdivision 6, or any charter
6 authority.

7 (12) All other obligations which under the provisions of
8 law authorizing their issuance are not to be included in
9 computing the net debt of the municipality.

10 Sec. 16. Minnesota Statutes 2004, section 475.52,
11 subdivision 1, is amended to read:

12 Subdivision 1. [STATUTORY CITIES.] Any statutory city may
13 issue bonds or other obligations for the acquisition or
14 betterment of public buildings, means of garbage disposal,
15 hospitals, nursing homes, homes for the aged, schools,
16 libraries, museums, art galleries, parks, playgrounds, stadia,
17 sewers, sewage disposal plants, subways, streets, sidewalks,
18 warning systems; for any utility or other public convenience
19 from which a revenue is or may be derived; for a permanent
20 improvement revolving fund; for changing, controlling or
21 bridging streams and other waterways; for the acquisition and
22 betterment of bridges and roads within two miles of the
23 corporate limits; for the acquisition of development rights in
24 the form of conservation easements under chapter 84C; and for
25 acquisition of equipment for snow removal, street construction
26 and maintenance, or fire fighting. Without limitation by the
27 foregoing the city may issue bonds to provide money for any
28 authorized corporate purpose except current expenses.

29 Sec. 17. Minnesota Statutes 2004, section 475.52,
30 subdivision 3, is amended to read:

31 Subd. 3. [COUNTIES.] Any county may issue bonds for the
32 acquisition or betterment of courthouses, county administrative
33 buildings, health or social service facilities, correctional
34 facilities, law enforcement centers, jails, morgues, libraries,
35 parks, and hospitals, for roads and bridges within the county or
36 bordering thereon and for road equipment and machinery and for

1 ambulances and related equipment; for the acquisition of
2 development rights in the form of conservation easements under
3 chapter 84C, and for capital equipment for the administration
4 and conduct of elections providing the equipment is uniform
5 countywide, except that the power of counties to issue bonds in
6 connection with a library shall not exist in Hennepin County.

7 Sec. 18. Minnesota Statutes 2004, section 475.52,
8 subdivision 4, is amended to read:

9 Subd. 4. [TOWNS.] Any town may issue bonds for the
10 acquisition and betterment of town halls, town roads and
11 bridges, nursing homes and homes for the aged, and for
12 acquisition of equipment for snow removal, road construction or
13 maintenance, and fire fighting; for the acquisition of
14 development rights in the form of conservation easements under
15 chapter 84C; and for the acquisition and betterment of any
16 buildings to house and maintain town equipment.

17 Sec. 19. Minnesota Statutes 2004, section 475.521,
18 subdivision 1, is amended to read:

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

21 (a) "Bonds" mean an obligation defined under section 475.51.

22 (b) "Capital improvement" means acquisition or betterment
23 of public lands, buildings or other improvements for the purpose
24 of a city hall, town hall, library, public safety facility, and
25 public works facility. An improvement must have an expected
26 useful life of five years or more to qualify. Capital
27 improvement does not include light rail transit or any activity
28 related to it, or a park, ~~library,~~ road, bridge, administrative
29 building other than a city or town hall, or land for any of
30 those facilities.

31 (c) "City" "Municipality" means a home rule charter or
32 statutory city or a town described in section 368.01,
33 subdivision 1 or 1a.

34 Sec. 20. Minnesota Statutes 2004, section 475.521,
35 subdivision 2, is amended to read:

36 Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a

1 city municipality to finance capital improvements under an
2 approved capital improvements plan are not subject to the
3 election requirements of section 475.58. ~~The bonds are subject~~
4 ~~to the net debt limits under section 475.53.~~ The bonds must be
5 approved by an affirmative vote of three-fifths of the members
6 of a five-member ~~city council~~ governing body. In the case of
7 a ~~city council~~ governing body having more or less than five
8 members, the bonds must be approved by a vote of at least
9 two-thirds of the ~~city council~~ members of the governing body.

10 (b) Before the issuance of bonds qualifying under this
11 section, the city municipality must publish a notice of its
12 intention to issue the bonds and the date and time of the
13 hearing to obtain public comment on the matter. The notice must
14 be published in the official newspaper of the city municipality
15 or in a newspaper of general circulation in the city
16 municipality. Additionally, the notice may be posted on the
17 official Web site, if any, of the city municipality. The notice
18 must be published at least 14 but not more than 28 days before
19 the date of the hearing.

20 (c) A city municipality may issue the bonds only after
21 obtaining the approval of a majority of the voters voting on the
22 question of issuing the obligations, if a petition requesting a
23 vote on the issuance is signed by voters equal to five percent
24 of the votes cast in the city municipality in the last general
25 election and is filed with the city clerk within 30 days after
26 the public hearing. The commissioner of revenue shall prepare a
27 suggested form of the question to be presented at the election.

28 Sec. 21. Minnesota Statutes 2004, section 475.521,
29 subdivision 3, is amended to read:

30 Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A city
31 municipality may adopt a capital improvement plan. The plan
32 must cover at least a five-year period beginning with the date
33 of its adoption. The plan must set forth the estimated
34 schedule, timing, and details of specific capital improvements
35 by year, together with the estimated cost, the need for the
36 improvement, and sources of revenue to pay for the improvement.

1 In preparing the capital improvement plan, the ~~city-council~~
 2 governing body must consider for each project and for the
 3 overall plan:

4 (1) the condition of the ~~city's~~ municipality's existing
 5 infrastructure, including the projected need for repair or
 6 replacement;

7 (2) the likely demand for the improvement;

8 (3) the estimated cost of the improvement;

9 (4) the available public resources;

10 (5) the level of overlapping debt in the ~~city~~ municipality;

11 (6) the relative benefits and costs of alternative uses of
 12 the funds;

13 (7) operating costs of the proposed improvements; and

14 (8) alternatives for providing services most efficiently
 15 through shared facilities with other ~~cities~~ municipalities or
 16 local government units.

17 (b) The capital improvement plan and annual amendments to
 18 it must be approved by the ~~city-council~~ governing body after
 19 public hearing.

20 Sec. 22. Minnesota Statutes 2004, section 475.521,
 21 subdivision 4, is amended to read:

22 Subd. 4. [LIMITATIONS ON AMOUNT.] A ~~city~~ municipality may
 23 not issue bonds under this section if the maximum amount of
 24 principal and interest to become due in any year on all the
 25 outstanding bonds issued under this section, including the bonds
 26 to be issued, will equal or exceed ~~0-05367~~ 0.16 percent of the
 27 taxable market value of property in the county municipality.
 28 Calculation of the limit must be made using the taxable market
 29 value for the taxes payable year in which the obligations are
 30 issued and sold. In the case of a municipality with a
 31 population of 2,500 or more, the bonds are subject to the net
 32 debt limits under section 475.53. In the case of a shared
 33 facility in which more than one municipality participates, upon
 34 compliance by each participating municipality with the
 35 requirements of subdivision 2, the limitations in this
 36 subdivision and the net debt represented by the bonds shall be

1 allocated to each participating municipality in proportion to
2 its required financial contribution to the financing of the
3 shared facility, as set forth in the joint powers agreement
4 relating to the shared facility. This section does not limit
5 the authority to issue bonds under any other special or general
6 law.

7 Sec. 23. Minnesota Statutes 2004, section 475.58,
8 subdivision 3b, is amended to read:

9 Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may,
10 without regard to the election requirement under subdivision 1,
11 issue and sell obligations for street reconstruction, if the
12 following conditions are met:

13 (1) the streets are reconstructed under a street
14 reconstruction plan that describes the streets to be
15 reconstructed, the estimated costs, and any planned
16 reconstruction of other streets in the municipality over the
17 next five years, and the plan and issuance of the obligations
18 has been approved by a vote of all of the members of the
19 governing body following a public hearing for which notice has
20 been published in the official newspaper at least ten days but
21 not more than 28 days prior to the hearing; and

22 (2) if a petition requesting a vote on the issuance is
23 signed by voters equal to five percent of the votes cast in the
24 last municipal general election and is filed with the municipal
25 clerk within 30 days of the public hearing, the municipality may
26 issue the bonds only after obtaining the approval of a majority
27 of the voters voting on the question of the issuance of the
28 obligations.

29 (b) Obligations issued under this subdivision are subject
30 to the debt limit of the municipality and are not excluded from
31 net debt under section 475.51, subdivision 4.

32 (c) For purposes of this subdivision, street reconstruction
33 includes utility replacement and relocation and other activities
34 incidental to the street reconstruction, but turn lanes and
35 other improvements having a substantial public safety function,
36 realignments, other modifications to intersect with state and

1 county roads, and the local share of state and county road
2 projects.

3 (d) Except in the case of turn lanes, safety improvements,
4 realignments, intersection modifications, and the local share of
5 state and county road projects, street reconstruction does not
6 include the portion of project cost allocable to widening a
7 street or adding curbs and gutters where none previously existed.

8 Sec. 24. [EFFECTIVE DATE.]

9 This act is effective the day following final enactment.

COMMITTEE REPORT - WITH AMENDMENTS

Committee on TAXES

S .F. No. 971

 Resolution

 Re-referred (from another committee)

Amendments:

delete all but sect 1

Committee recommendation:

 And when so amended the bill do pass.

 And when so amended the bill do pass and be placed on the Consent Calendar.

 And when so amended the bill do pass and be re-referred to the Committee on

No recommendation: And when so amended the bill be

X (re-referred to the Committee on Commerce)

OR (reported to the Senate).

3118105 (date of committee recommendation)

2.35 amended by adding a subdivision to read:

2.36 Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The

3.1 commissioner shall refer complaints about tax preparers who are

3.2 alleged to have violated the provisions of subdivisions 3 to 5

3.3 to:

3.4 (1) the State Board of Accountancy, if the tax preparer is

3.5 under its jurisdiction; and

3.6 (2) the Lawyers Board of Professional Responsibility, if

3.7 the tax preparer is under its jurisdiction.

3.8 Sec. 7. Minnesota Statutes 2004, section 270.30, is

3.9 amended by adding a subdivision to read:

3.10 Subd. 6d. [DATA PRIVATE.] Information exchanged on

3.11 individuals under subdivisions 6a to 6c are private data under

3.12 section 13.02, subdivision 12, until such time as a penalty is

3.13 imposed as provided in section 326A.08 or by the Lawyers Board

3.14 of Professional Responsibility.

3.15 Sec. 8. Minnesota Statutes 2004, section 270.30,

3.16 subdivision 8, is amended to read:

3.17 Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The

3.18 provisions of ~~subdivisions 6 and 7~~ this section, except for

3.19 subdivision 4, do not apply to:

3.20 (1) an attorney admitted to practice under section 481.01;

3.21 (2) a certified public accountant ~~holding a certificate~~

3.22 ~~under section 326A.04 or a person issued a permit to practice~~

3.23 ~~under section 326A.05 or other person who is subject to the~~

3.24 jurisdiction of the State Board of Accountancy; and

3.25 (3) ~~a person designated as a registered accounting~~

3.26 ~~practitioner under Minnesota Rules, part 1105.6600, or a~~

3.27 ~~registered accounting practitioner firm issued a permit under~~

3.28 ~~Minnesota Rules, part 1105.7100,~~

3.29 (4) an enrolled agent who has passed the special enrollment

3.30 examination administered by the Internal Revenue Service, ~~and.~~

3.31 (b) The provisions of this section do not apply to:

3.32 ~~(5) (1) any fiduciary, or the regular employees of a~~

3.33 fiduciary, while acting on behalf of the fiduciary estate, the

3.34 testator, trustor, grantor, or beneficiaries of them;

3.35 (2) a tax preparer who provides tax preparation services

3.36 for fewer than six clients in a calendar year;

4.1 (3) tax preparation services to a spouse, parent,

4.2 grandparent, child, or sibling of the tax preparer; and

4.3 (4) the preparation by an employee of the tax return of the

4.4 employee's employer.

4.5 Sec. 9. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS

4.6 SUBJECT TO PENALTIES.]

4.7 Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any

4.8 other law, the commissioner must publish as provided in this

4.9 section a list or lists of tax preparers subject to penalties.

4.10 Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a)

4.11 Subject to the limitations of paragraphs (b) and (c), the

4.12 commissioner must publish lists of the tax preparers described

4.13 in subdivision 1. The list must include:

4.14 (1) the tax preparers who have been assessed penalties

4.15 under section 289A.60, subdivision 13, or who have been

4.16 convicted under section 289A.63;

4.17 (2) tax preparers against whom cumulative penalties of

4.18 \$1,000 or more have been assessed under section 270.30,

4.19 subdivision 6; and

4.20 (3) tax preparers whose authority to transmit returns

4.21 electronically has been terminated under section 270.30,

4.22 subdivision 6, or under section 289A.60, subdivision 13.

4.23 The list may include tax preparers against whom cumulative

4.24 penalties of less than \$1,000 have been assessed.

4.25 (b) For the purposes of this section, a penalty was not

4.26 assessed if:

4.27 (1) an administrative or court action contesting the

4.28 penalty has been filed or served and is unresolved at the time

4.29 when notice would be given under subdivision 3; or

4.30 (2) an appeal period to contest the penalty has not expired.

4.31 (c) Penalties are not subject to publication if:

4.32 (1) the commissioner is in the process of reviewing or

4.33 adjusting the penalty; or

4.34 (2) the commissioner has been notified that the tax

4.35 preparer is deceased.

4.36 Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days

5.1 before publishing the name of a tax preparer subject to penalty,

5.2 the commissioner shall mail a written notice to the tax

5.3 preparer, detailing the amount and nature of each penalty and

5.4 the intended publication of the information listed in

5.5 subdivision 4 related to the penalty. The notice must be mailed

5.6 by first class and certified mail addressed to the last known
 5.7 address of the tax preparer. The notice must include
 5.8 information regarding the exceptions listed in subdivision 2 and
 5.9 must state that the tax preparer's information will not be
 5.10 published if the tax preparer provides information establishing
 5.11 that subdivision 2 prohibits publication of the tax preparer's
 5.12 name.

5.13 (b) After at least 30 days has elapsed since the notice was
 5.14 mailed and the tax preparer has not proved to the commissioner
 5.15 that subdivision 2 prohibits publication, the commissioner may
 5.16 publish in a list of tax preparers subject to penalty the
 5.17 information about the tax preparer that is listed in subdivision
 5.18 4.

5.19 Subd. 4. [FORM OF LIST.] The list may be published by any
 5.20 medium or method. The list must contain the name, associated
 5.21 business name or names, address or addresses, and violation or
 5.22 violations for which a penalty was imposed of each tax preparer
 5.23 subject to administrative penalty.

5.24 Subd. 5. [REMOVAL FROM LIST.] The commissioner shall
 5.25 remove the name of a tax preparer from the list of tax preparers
 5.26 published under this section when:

5.27 (1) the commissioner determines that the name was included
 5.28 on the list in error;

5.29 (2) 90 days have elapsed since the preparer has fully paid
 5.30 all fines imposed, served any suspension and demonstrated to the
 5.31 satisfaction of the commissioner that the preparer has
 5.32 successfully completed any remedial actions required by the
 5.33 commissioner, the State Board of Accountancy, or the Lawyers
 5.34 Board of Professional Responsibility; or

5.35 (3) the commissioner has been notified that the tax
 5.36 preparer is deceased.

6.1 Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner
 6.2 publishes a name under subdivision 1 in error, the tax preparer
 6.3 whose name was erroneously published has a right to request a
 6.4 retraction and apology. If the tax preparer so requests, the
 6.5 commissioner shall publish a retraction and apology
 6.6 acknowledging that the tax preparer's name was published in
 6.7 error. The retraction and apology must appear in the same
 6.8 medium and the same format as the original list that contained
 6.9 the name listed in error.

6.10 Subd. 7. [PAYMENT OF DAMAGES.] Actions against the
 6.11 commissioner of revenue or the state of Minnesota arising out of
 6.12 the implementation of this program must be brought under section
 6.13 270.276.

6.14 [EFFECTIVE DATE.] The requirement of subdivision 1,
 6.15 paragraph (a), clause (2) is effective for crimes committed on
 6.16 or after August 1, 2005. The remainder of subdivision 1 is
 6.17 effective for tax preparers engaging in conduct described in
 6.18 paragraph (a), clause (1) or (3), on or after August 1, 2005.

6.19 Sec. 10. Minnesota Statutes 2004, section 289A.08,
 6.20 subdivision 16, is amended to read:

6.21 Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC
 6.22 FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return
 6.23 preparer," as defined in section 289A.60, subdivision 13,
 6.24 paragraph ~~(g)~~ (h), who prepared more than ~~500~~ 100 Minnesota
 6.25 individual income tax returns for the prior calendar year must
 6.26 file all Minnesota individual income tax returns prepared for
 6.27 the current calendar year by electronic means.

6.28 (b) ~~For tax returns prepared for the tax year beginning in~~
 6.29 ~~2001, the "500" in paragraph (a) is reduced to 250.~~

6.30 ~~(c) For tax returns prepared for tax years beginning after~~
 6.31 ~~December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

6.32 ~~(d) Paragraph (a) does not apply to a return if the~~
 6.33 taxpayer has indicated on the return that the taxpayer did not
 6.34 want the return filed by electronic means.

6.35 ~~(e) (c) For each return that is not filed electronically by~~
 6.36 a tax refund or return preparer under this subdivision,
 7.1 including returns filed under paragraph (d), a paper filing fee
 7.2 of \$5 is imposed upon the preparer. The fee is collected from
 7.3 the preparer in the same manner as income tax. The fee does not
 7.4 apply to returns that the commissioner requires to be filed in
 7.5 paper form.

6 Sec. 11. Minnesota Statutes 2004, section 289A.60,
 7.7 subdivision 13, is amended to read:

7.8 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
 7.9 understatement of liability with respect to a return or claim
 7.10 for refund is due to a willful attempt in any manner to
 7.11 understate the liability for a tax by a person who is a tax
 7.12 return preparer with respect to the return or claim, the person

7.13 shall pay to the commissioner a penalty of \$500. If a part of a
7.14 property tax refund claim is excessive due to a willful attempt
7.15 in any manner to overstate the claim for relief allowed under
7.16 chapter 290A by a person who is a tax refund or return preparer,
7.17 the person shall pay to the commissioner a penalty of \$500 with
7.18 respect to the claim. These penalties may not be assessed
7.19 against the employer of a tax return preparer unless the
7.20 employer was actively involved in the willful attempt to
7.21 understate the liability for a tax or to overstate the claim for
7.22 refund. These penalties are income tax liabilities and may be
7.23 assessed at any time as provided in section 289A.38, subdivision
7.24 5.

7.25 (b) A civil action in the name of the state of Minnesota
7.26 may be commenced to enjoin any person who is a tax return
7.27 preparer doing business in this state from further engaging in
7.28 any conduct described in paragraph (c). An action under this
7.29 paragraph must be brought by the attorney general in the
7.30 district court for the judicial district of the tax return
7.31 preparer's residence or principal place of business, or in which
7.32 the taxpayer with respect to whose tax return the action is
7.33 brought resides. The court may exercise its jurisdiction over
7.34 the action separate and apart from any other action brought by
7.35 the state of Minnesota against the tax return preparer or any
7.36 taxpayer.

8.1 (c) In an action under paragraph (b), if the court finds
8.2 that a tax return preparer has:

8.3 (1) engaged in any conduct subject to a civil penalty under
8.4 section 289A.60 or a criminal penalty under section 289A.63;

8.5 (2) misrepresented the preparer's eligibility to practice
8.6 before the Department of Revenue, or otherwise misrepresented
8.7 the preparer's experience or education as a tax return preparer;

8.8 (3) guaranteed the payment of any tax refund or the
8.9 allowance of any tax credit; or

8.10 (4) engaged in any other fraudulent or deceptive conduct
8.11 that substantially interferes with the proper administration of
8.12 state tax law, and injunctive relief is appropriate to prevent
8.13 the recurrence of that conduct,
8.14 the court may enjoin the person from further engaging in that
8.15 conduct.

8.16 (d) If the court finds that a tax return preparer has
8.17 continually or repeatedly engaged in conduct described in
8.18 paragraph (c), and that an injunction prohibiting that conduct
8.19 would not be sufficient to prevent the person's interference
8.20 with the proper administration of state tax laws, the court may
8.21 enjoin the person from acting as a tax return preparer. The
8.22 court may not enjoin the employer of a tax return preparer for
8.23 conduct described in paragraph (c) engaged in by one or more of
8.24 the employer's employees unless the employer was also actively
8.25 involved in that conduct.

8.26 (e) The commissioner may terminate or suspend a tax
8.27 preparer's authority to transmit returns electronically to the
8.28 state, if the commissioner determines that the tax preparer has
8.29 engaged in a pattern and practice of conduct in violation of
8.30 this subdivision or of section 289A.63.

8.31 (f) For purposes of this subdivision, the term
8.32 "understatement of liability" means an understatement of the net
8.33 amount payable with respect to a tax imposed by state tax law,
8.34 or an overstatement of the net amount creditable or refundable
8.35 with respect to a tax. The determination of whether or not
9.1 there is an understatement of liability must be made without
9.2 regard to any administrative or judicial action involving the
9.3 taxpayer. For purposes of this subdivision, the amount
9.4 determined for underpayment of estimated tax under either
9.5 section 289A.25 or 289A.26 is not considered an understatement
9.6 of liability.

9.6 ~~(f)~~ (g) For purposes of this subdivision, the term
9.7 "overstatement of claim" means an overstatement of the net
9.8 amount refundable with respect to a claim for property tax
9.9 relief provided by chapter 290A. The determination of whether
9.10 or not there is an overstatement of a claim must be made without
9.11 regard to administrative or judicial action involving the
9.12 claimant.

9.13 ~~(g)~~ (h) For purposes of this section, the term "tax refund
9.14 or return preparer" means an individual who prepares for
9.15 compensation, or who employs one or more individuals to prepare
9.16 for compensation, a return of tax, or a claim for refund of
9.17 tax. The preparation of a substantial part of a return or claim
9.18 for refund is treated as if it were the preparation of the
9.19 entire return or claim for refund. An individual is not

- 9.20 considered a tax return preparer merely because the individual:
9.21 (1) gives typing, reproducing, or other mechanical
9.22 assistance;
9.23 (2) prepares a return or claim for refund of the employer,
9.24 or an officer or employee of the employer, by whom the
9.25 individual is regularly and continuously employed;
9.26 (3) prepares a return or claim for refund of any person as
.27 a fiduciary for that person; or
9.28 (4) prepares a claim for refund for a taxpayer in response
9.29 to a tax order issued to the taxpayer.
-

Please direct all comments concerning issues or legislation
to your [House Member](#) or [State Senator](#).

For Legislative Staff or for directions to the Capitol, visit the [Contact Us](#) page.

[General questions or comments.](#)

MINNESOTA REVENUE

INDIVIDUAL INCOME TAX Regulation of Tax Preparers

March 15, 2005

Department of Revenue
Analysis of H.F. 1234 (Thissen)/

(Amendment to tax 2)
S.F. 1209 (Pogemiller)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective August 1, 2005

EXPLANATION OF THE BILL

Current Law: Persons who provide tax preparation services for a fee must meet certain standards of business conduct and of disclosure to clients concerning the nature and terms of refund anticipation loans.

Proposed Law: The bill expands the scope of regulation of tax preparers and modifies exceptions. It requires the Commissioner of Revenue to publish a list of tax preparers who have been assessed penalties. It provides for exchange of information among the Department of Revenue, the Accountancy Board and the Lawyers Professional Responsibility Board. It expands the authorization of the Commissioner of Revenue to suspend a tax preparer's authority to transmit returns electronically.

REVENUE ANALYSIS DETAIL

- This bill has no effect on state revenue.

Number of Taxpayers: Unknown

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf1234(sf1209)_1/gt

1 (1) rent assistance provided by the government to or on
2 behalf of tenants; and

3 (2) government financial assistance or tax credits
4 requiring units to be set aside for persons or families with
5 certain income or other characteristics, or limiting the rents,
6 or both.

7 [EFFECTIVE DATE.] This section is effective beginning for
8 taxes payable in 2006.

MINNESOTA REVENUE

PROPERTY TAX Charitable Institutions Government Housing Payments

March 16, 2005

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of S.F. 1751 (Pogemiller)

	<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)		
General Fund	\$0	\$0	\$0	\$0

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

The proposal clarifies the treatment of government housing payments for the purpose of the property tax exemption for charitable institutions. The bill provides that government assistance payments are income to the owner or manager of the rental housing, not gifts or donations. These payments include rent assistance provided by the government to or on behalf of the tenants and government financial assistance or tax credits to limit rents for low income families. These payments do not disqualify the property from qualifying for an exemption if receipt of sufficient gifts and donations, as well as other requirements, are satisfied.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with the clarification of government assistance payments as income.

Number of Taxpayers: Unknown.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf1751_1/nrg

HANDBOUT #1

NOV FORECAST

Alternative Minimum Tax (AMT) Exemption Amounts

For tax year 2005, the proposal would increase the AMT exemption from \$40,000 to \$66,300 for married joint filers, from \$20,000 to \$33,150 for married separate filers, and from \$30,000 to \$33,150 for single and head of household filers. In addition, the proposal increases the phase-out threshold from \$150,000 to \$248,600 for married joint filers, from \$75,000 to \$124,300 for married separate filers, and from \$112,500 to \$124,300 for single and head of household filers. The exemption amounts and phase-out thresholds are adjusted for inflation starting with tax year 2006. The following tables show exemption and phase-out threshold amounts under current law, the proposal for 2005, and adjusted for inflation for tax years 2006 through 2008.

**Current Law
Tax Year 2004**

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$40,000	\$150,000	\$310,000
Married Separate	\$20,000	\$75,000	\$155,000
Single	\$30,000	\$112,500	\$232,500
Head of Household	\$30,000	\$112,500	\$232,500

**Proposal
Tax Year 2005**

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$66,300	\$248,600	\$513,800
Married Separate	\$33,150	\$124,300	\$256,900
Single	\$33,150	\$124,300	\$256,900
Head of Household	\$33,150	\$124,300	\$256,900

**Proposal
Tax Year 2006**

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$67,930	\$254,710	\$526,430
Married Separate	\$33,960	\$127,350	\$263,190
Single	\$33,960	\$127,350	\$263,190
Head of Household	\$33,960	\$127,350	\$263,190

**Proposal
Tax Year 2007**

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$68,950	\$258,520	\$534,320
Married Separate	\$34,470	\$129,260	\$267,140
Single	\$34,470	\$129,260	\$267,140
Head of Household	\$34,470	\$129,260	\$267,140

**Proposal
Tax Year 2008**

Filing Status	Exemption	Phase-Out Begins	Phase-Out Ends
Married Joint	\$70,260	\$263,460	\$544,500
Married Separate	\$35,130	\$131,730	\$272,250
Single	\$35,130	\$131,730	\$272,250
Head of Household	\$35,130	\$131,730	\$272,250

Number of Taxpayers: For tax year 2005, an estimated 45,900 taxpayers would receive a reduction in the Minnesota alternative minimum tax of an average of \$541 per tax return, including 39,500 taxpayers who would no longer be subject to the AMT.

Dependent Exemption Deduction from Alternative Minimum Taxable Income (AMTI)

This proposal would allow a dependent exemption deduction from AMTI equal to the federal dependent exemption for each dependent starting in tax year 2005.

Number of Taxpayers: For tax year 2005, an estimated 37,200 taxpayers would receive a reduction in the Minnesota alternative minimum tax of an average of \$351 per tax return, including 23,500 taxpayers who would no longer be subject to the AMT.

Alternative Minimum Tax (AMT) Deduction of Charitable Contributions

This proposal would allow a full deduction for charitable contributions from AMTI starting in tax year 2005. Under current law, only contributions exceeding 1% of adjusted gross income are deductible.

Number of Taxpayers: For tax year 2005, an estimated 42,700 taxpayers would receive a reduction in the Minnesota alternative minimum tax of an average of \$84 per tax return, including 4,500 taxpayers who would no longer be subject to the AMT.

All AMT Components together

This includes all the above AMT components combined. It includes the proposed exemption and phase-out levels, the dependent exemption from AMTI, and the full deduction of charitable contributions from AMTI.

Number of Taxpayers: For tax year 2005, an estimated 46,700 taxpayers would receive a reduction in the Minnesota alternative minimum tax of an average of \$568 per tax return, including 41,800 taxpayers who would no longer be subject to the AMT.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS) Model version 5.3 was used to estimate the tax year revenue impact of the proposal.
- These simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in November 2004. The model uses a stratified sample of tax year 2002 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impact would be reflected in the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
February 23, 2005