

1 Senator moves to amend S.F. No. 1683 as follows:

2 Delete everything after the enacting clause and insert:

3 "ARTICLE 1

4 INCOME TAX

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

7 Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The
8 limitations of time provided by this chapter, chapter 290
9 relating to income taxes, chapter 271 relating to the Tax Court
10 for filing returns, paying taxes, claiming refunds, commencing
11 action thereon, appealing to the Tax Court from orders relating
12 to income taxes, and the filing of petitions under chapter 278
13 that would otherwise be due ~~May-15,-1996~~ May 1, 2004, and
14 appealing to the Supreme Court from decisions of the Tax Court
15 relating to income taxes are extended, as provided in section
16 7508 of the Internal Revenue Code.

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

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

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

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

29 (c) If an individual entitled to the benefit of paragraph
30 (a) files a return during the period disregarded under paragraph
31 (a), interest must be paid on an overpayment or refundable
32 credit from the due date of the return, notwithstanding section
33 289A.56, subdivision 2.

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

1 [EFFECTIVE DATE.] This section is effective for taxable
2 years beginning after December 31, 2002, and for property taxes
3 payable after 2003.

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

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

10 ~~{1} on active duty stationed outside of Minnesota while in~~
11 ~~the armed forces of the United States or the United Nations; or~~

12 {2} a "qualified individual" as defined in section
13 911(d)(1) of the Internal Revenue Code, if the qualified
14 individual notifies the county within three months of moving out
15 of the country that homestead status be revoked for the
16 Minnesota residence of the qualified individual, and the
17 property is not classified as a homestead while the individual
18 remains a qualified individual.

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

23 (1) the individual or the spouse of the individual is in
24 the armed forces of the United States; or

25 (2) the individual is covered under the reciprocity
26 provisions in section 290.081.

27 For purposes of this subdivision, presence within the state
28 for any part of a calendar day constitutes a day spent in the
29 state. Individuals shall keep adequate records to substantiate
30 the days spent outside the state.

31 The term "abode" means a dwelling maintained by an
32 individual, whether or not owned by the individual and whether
33 or not occupied by the individual, and includes a dwelling place
34 owned or leased by the individual's spouse.

35 (c) Neither the commissioner nor any court shall consider
36 charitable contributions made by an individual within or without

1 the state in determining if the individual is domiciled in
2 Minnesota.

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

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

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

10 (1)(i) interest income on obligations of any state other
11 than Minnesota or a political or governmental subdivision,
12 municipality, or governmental agency or instrumentality of any
13 state other than Minnesota exempt from federal income taxes
14 under the Internal Revenue Code or any other federal statute;
15 and

16 (ii) exempt-interest dividends as defined in section
17 852(b)(5) of the Internal Revenue Code, except the portion of
18 the exempt-interest dividends derived from interest income on
19 obligations of the state of Minnesota or its political or
20 governmental subdivisions, municipalities, governmental agencies
21 or instrumentalities, but only if the portion of the
22 exempt-interest dividends from such Minnesota sources paid to
23 all shareholders represents 95 percent or more of the
24 exempt-interest dividends that are paid by the regulated
25 investment company as defined in section 851(a) of the Internal
26 Revenue Code, or the fund of the regulated investment company as
27 defined in section 851(g) of the Internal Revenue Code, making
28 the payment; and

29 (iii) for the purposes of items (i) and (ii), interest on
30 obligations of an Indian tribal government described in section
31 7871(c) of the Internal Revenue Code shall be treated as
32 interest income on obligations of the state in which the tribe
33 is located;

34 (2) the amount of income taxes paid or accrued within the
35 taxable year under this chapter and income taxes paid to any
36 other state or to any province or territory of Canada, to the

1 extent allowed as a deduction under section 63(d) of the
2 Internal Revenue Code, but the addition may not be more than the
3 amount by which the itemized deductions as allowed under section
4 63(d) of the Internal Revenue Code exceeds the amount of the
5 standard deduction as defined in section 63(c) of the Internal
6 Revenue Code. For the purpose of this paragraph, the
7 disallowance of itemized deductions under section 68 of the
8 Internal Revenue Code of 1986, income tax is the last itemized
9 deduction disallowed;

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

13 (4) the amount of income taxes paid or accrued within the
14 taxable year under this chapter and income taxes paid to any
15 other state or any province or territory of Canada, to the
16 extent allowed as a deduction in determining federal adjusted
17 gross income. For the purpose of this paragraph, income taxes
18 do not include the taxes imposed by sections 290.0922,
19 subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

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

22 (6) the amount of a partner's pro rata share of net income
23 which does not flow through to the partner because the
24 partnership elected to pay the tax on the income under section
25 6242(a)(2) of the Internal Revenue Code; and

26 (7) 80 percent of the depreciation deduction allowed under
27 section 168(k) of the Internal Revenue Code. For purposes of
28 this clause, if the taxpayer has an activity that in the taxable
29 year generates a deduction for depreciation under section 168(k)
30 and the activity generates a loss for the taxable year that the
31 taxpayer is not allowed to claim for the taxable year, "the
32 depreciation allowed under section 168(k)" for the taxable year
33 is limited to excess of the depreciation claimed by the activity
34 under section 168(k) over the amount of the loss from the
35 activity that is not allowed in the taxable year. In succeeding
36 taxable years when the losses not allowed in the taxable year

1 are allowed, the depreciation under section 168(k) is allowed;
2 and

3 (8) the amount of expenses disallowed under section 290.10,
4 subdivision 2.

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

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

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

12 (1) interest income on obligations of any authority,
13 commission, or instrumentality of the United States to the
14 extent includable in taxable income for federal income tax
15 purposes but exempt from state income tax under the laws of the
16 United States;

17 (2) if included in federal taxable income, the amount of
18 any overpayment of income tax to Minnesota or to any other
19 state, for any previous taxable year, whether the amount is
20 received as a refund or as a credit to another taxable year's
21 income tax liability;

22 (3) the amount paid to others, less the amount used to
23 claim the credit allowed under section 290.0674, not to exceed
24 \$1,625 for each qualifying child in grades kindergarten to 6 and
25 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
26 textbooks, and transportation of each qualifying child in
27 attending an elementary or secondary school situated in
28 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
29 wherein a resident of this state may legally fulfill the state's
30 compulsory attendance laws, which is not operated for profit,
31 and which adheres to the provisions of the Civil Rights Act of
32 1964 and chapter 363A. For the purposes of this clause,
33 "tuition" includes fees or tuition as defined in section
34 290.0674, subdivision 1, clause (1). As used in this clause,
35 "textbooks" includes books and other instructional materials and
36 equipment purchased or leased for use in elementary and

1 secondary schools in teaching only those subjects legally and
2 commonly taught in public elementary and secondary schools in
3 this state. Equipment expenses qualifying for deduction
4 includes expenses as defined and limited in section 290.0674,
5 subdivision 1, clause (3). "Textbooks" does not include
6 instructional books and materials used in the teaching of
7 religious tenets, doctrines, or worship, the purpose of which is
8 to instill such tenets, doctrines, or worship, nor does it
9 include books or materials for, or transportation to,
10 extracurricular activities including sporting events, musical or
11 dramatic events, speech activities, driver's education, or
12 similar programs. For purposes of the subtraction provided by
13 this clause, "qualifying child" has the meaning given in section
14 32(c)(3) of the Internal Revenue Code;

15 (4) income as provided under section 290.0802;

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

19 (6) to the extent included in federal taxable income,
20 postservice benefits for youth community service under section
21 124D.42 for volunteer service under United States Code, title
22 42, sections 12601 to 12604;

23 (7) to the extent not deducted in determining federal
24 taxable income by an individual who does not itemize deductions
25 for federal income tax purposes for the taxable year, an amount
26 equal to 50 percent of the excess of charitable contributions
27 allowable as a deduction for the taxable year under section
28 170(a) of the Internal Revenue Code over \$500;

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

34 (9) for individuals who are allowed a federal foreign tax
35 credit for taxes that do not qualify for a credit under section
36 290.06, subdivision 22, an amount equal to the carryover of

1 subnational foreign taxes for the taxable year, but not to
2 exceed the total subnational foreign taxes reported in claiming
3 the foreign tax credit. For purposes of this clause, "federal
4 foreign tax credit" means the credit allowed under section 27 of
5 the Internal Revenue Code, and "carryover of subnational foreign
6 taxes" equals the carryover allowed under section 904(c) of the
7 Internal Revenue Code minus national level foreign taxes to the
8 extent they exceed the federal foreign tax credit;

9 (10) in each of the five tax years immediately following
10 the tax year in which an addition is required under subdivision
11 19a, clause (7), an amount equal to one-fifth of the delayed
12 depreciation. For purposes of this clause, "delayed
13 depreciation" means the amount of the addition made by the
14 taxpayer under subdivision 19a, clause (7), minus the positive
15 value of any net operating loss under section 172 of the
16 Internal Revenue Code generated for the tax year of the
17 addition. The resulting delayed depreciation cannot be less
18 than zero; and

19 (11) job opportunity building zone income as provided under
20 section 469.316;

21 (12) to the extent included in federal taxable income, an
22 amount, not to exceed \$10,000, equal to an individual's
23 unreimbursed expenses for travel, lodging, and lost wages net of
24 sick pay related to the individual's donation of one or more of
25 the individual's organs to another person for human organ
26 transplantation. For purposes of determining the extent to
27 which expenses are included in federal taxable income, expenses
28 qualifying under this paragraph are the first expenses
29 considered in determining the medical expense deduction allowed
30 under section 213 of the Internal Revenue Code. For purposes of
31 this clause, "organ" means all or part of an individual's liver,
32 pancreas, kidney, intestine, lung, or bone marrow, and "human
33 organ transplantation" means the medical procedure by which
34 transfer of a human organ is made from the body of one person to
35 the body of another person. An individual may claim the
36 subtraction in this clause for each instance of organ donation

1 for transplantation, during the taxable year in which the
2 expenses or lost wages occur;

3 (13) the amount of compensation paid to members of the
4 Minnesota National Guard or other reserve components of the
5 United States military for active service performed in
6 Minnesota, excluding compensation for services performed under
7 the Active Guard Reserve (AGR) program. For purposes of this
8 clause, "active service" means (i) state active service as
9 defined in section 190.05, subdivision 5a, clause (1); (ii)
10 federally funded state active service as defined in section
11 190.05, subdivision 5b; or (iii) federal active service as
12 defined in section 190.05, subdivision 5c, but "active service"
13 excludes services performed exclusively for purposes of basic
14 combat training, advanced individual training, annual training,
15 and periodic inactive duty training; special training
16 periodically made available to reserve members; and service
17 performed in accordance with section 190.08, subdivision 3; and

18 (14) the amount of compensation paid to members of the
19 armed forces of the United States or United Nations for active
20 duty performed outside Minnesota.

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

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

25 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE
26 INCOME.] For corporations, there shall be added to federal
27 taxable income:

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

35 (2) interest not subject to federal tax upon obligations
36 of: the United States, its possessions, its agencies, or its

1 instrumentalities; the state of Minnesota or any other state,
2 any of its political or governmental subdivisions, any of its
3 municipalities, or any of its governmental agencies or
4 instrumentalities; the District of Columbia; or Indian tribal
5 governments;

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

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

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

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

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

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

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

26 (10) for certified pollution control facilities placed in
27 service in a taxable year beginning before December 31, 1986,
28 and for which amortization deductions were elected under section
29 169 of the Internal Revenue Code of 1954, as amended through
30 December 31, 1985, the amount of the amortization deduction
31 allowed in computing federal taxable income for those
32 facilities;

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

36 (12) the amount of any environmental tax paid under section

1 59(a) of the Internal Revenue Code;

2 (13) the amount of a partner's pro rata share of net income
3 which does not flow through to the partner because the
4 partnership elected to pay the tax on the income under section
5 6242(a)(2) of the Internal Revenue Code;

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

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

12 (16) 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 and

25 (17) the amount of expenses disallowed under section
26 290.10, subdivision 2.

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

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

31 Subdivision 1. **[EXEMPT ENTITIES.]** The following
32 corporations, individuals, estates, trusts, and organizations
33 shall be exempted from taxation under this chapter, provided
34 that every such person or corporation claiming exemption under
35 this chapter, in whole or in part, must establish to the
36 satisfaction of the commissioner the taxable status of any

1 income or activity:

2 (a) corporations, individuals, estates, and trusts engaged
3 in the business of mining or producing iron ore and other ores
4 the mining or production of which is subject to the occupation
5 tax imposed by section 298.01; but if any such corporation,
6 individual, estate, or trust engages in any other business or
7 activity or has income from any property not used in such
8 business it shall be subject to this tax computed on the net
9 income from such property or such other business or activity.

10 Royalty shall not be considered as income from the business of
11 mining or producing iron ore within the meaning of this section;

12 (b) the United States of America, the state of Minnesota or
13 any political subdivision of either agencies or
14 instrumentalities, whether engaged in the discharge of
15 governmental or proprietary functions; and

16 (c) any insurance company; and

17 (d) a corporation engaged in the business of operating a
18 personal rapid transit system, as defined in section 297A.61,
19 subdivision 37, in this state, independent of any government
20 subsidies, but if the corporation engages in any other business
21 or activity or has income from any property not used in the
22 business of operating a personal rapid transit system, it is
23 subject to this tax computed on the net income from the property
24 or business or activity.

25 [EFFECTIVE DATE.] This section is effective for taxable
26 years beginning after December 31, 2008.

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

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

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

36 (2) On all over \$25,680, but not over \$102,030, 7.05

1 percent;

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

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

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

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

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

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

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

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

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

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

22 (d) In lieu of a tax computed according to the rates set
23 forth in this subdivision, the tax of any individual taxpayer
24 whose taxable net income for the taxable year is less than an
25 amount determined by the commissioner must be computed in
26 accordance with tables prepared and issued by the commissioner
27 of revenue based on income brackets of not more than \$100. The
28 amount of tax for each bracket shall be computed at the rates
29 set forth in this subdivision, provided that the commissioner
30 may disregard a fractional part of a dollar unless it amounts to
31 50 cents or more, in which case it may be increased to \$1.

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

1 (1) the numerator is the individual's Minnesota source
2 federal adjusted gross income as defined in section 62 of the
3 Internal Revenue Code and increased by the additions required
4 under section 290.01, subdivision 19a, clauses (1), (5), and
5 (6), and reduced by the subtraction under section 290.01,
6 subdivision 19b, clause (11), and the Minnesota assignable
7 portion of the subtraction for United States government interest
8 under section 290.01, subdivision 19b, clause (1), after
9 applying the allocation and assignability provisions of section
10 290.081, clause (a), or 290.17; and

11 (2) the denominator is the individual's federal adjusted
12 gross income as defined in section 62 of the Internal Revenue
13 Code of 1986, increased by the amounts specified in section
14 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
15 by the amounts specified in section 290.01, subdivision 19b,
16 clauses (1) and (11).

17 [EFFECTIVE DATE.] This section is effective only if
18 sections 12 and 13 of this article are enacted for taxable years
19 beginning after December 31, 2004.

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

22 Subd. 28. [CREDIT REFUNDS FOR TRANSIT PASSES.] A-taxpayer
23 (a) An employer may take-a-credit-against-the-tax-due-under-this
24 chapter claim a refund equal to 30 percent of the expense
25 incurred by the taxpayer employer to provide transit passes, for
26 use in Minnesota, to employees of the taxpayer.

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

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

33 (2) "transit pass" has the meaning given in section
34 132(f)(5)(A) of the Internal Revenue Code.

35 (c) If the taxpayer employer purchases the transit passes
36 from the transit system operator, and resells them to the

1 employees, the ~~credit~~ refund is based on the amount of the
2 difference between the price paid for the passes by the employer
3 and the amount charged to employees.

4 (d) The commissioner shall prescribe the forms for and the
5 manner in which the refund may be claimed. The commissioner
6 must provide for paying refunds at least quarterly. The
7 commissioner may set a minimum amount of qualifying expenses
8 that must be incurred before a refund may be claimed.

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

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

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

15 Subd. 33. [CARSHARING CREDIT.] (a) For purposes of this
16 subdivision, a "carsharing organization" means an organization
17 that:

18 (1) is described in section 501(c) of the Internal Revenue
19 Code;

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

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

25 (4) does not assign exclusive rights of use of specific
26 vehicles to individual members or allow individual members to
27 keep a vehicle in the member's sole possession.

28 (b) A taxpayer may take a credit against the tax due under
29 this chapter for the expenses incurred by the taxpayer to
30 purchase a membership and pay monthly dues to a carsharing
31 organization or to provide memberships and pay monthly dues to a
32 carsharing organization for employees of the taxpayer. The
33 amount of the credit is equal to the lesser of the actual cost
34 of the membership fee and the monthly dues, or \$390. If an
35 employer purchases the membership or pays the monthly dues to
36 the nonprofit carsharing organization and resells the membership

1 to its employees or charges the monthly dues to its employees,
2 the credit allowed to the employer is the amount of the
3 difference between the amount paid by the employer and the
4 amount charged to the employee.

5 (c) A taxpayer who owns a parking facility that charges
6 customers an amount to park vehicles at the facility and
7 provides dedicated parking space at no charge to a nonprofit
8 carsharing organization to park the motor vehicles that are used
9 by the members of the organization on an hourly or per-trip
10 basis, may take a credit against the tax due under this chapter
11 for the value of the dedicated parking space provided to the
12 nonprofit carsharing organization. The value of the dedicated
13 parking space is equal to the lowest amount charged to customers
14 who pay to park at the facility calculated on an hourly, daily,
15 or other long-term rate that results in the lowest total cost.

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

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

20 Subd. 2. [LIMITATIONS.] (a) For claimants with income not
21 greater than \$33,500, the maximum credit allowed is \$1,000 per
22 multiplied by the number of claimant's qualifying child-and
23 \$2,000-per-family children in grades kindergarten through grade
24 12. No credit is allowed for education-related expenses for
25 claimants with income greater than \$37,500. The maximum credit
26 per child claimant is reduced by \$1 for each \$4 of household
27 income over \$33,500, ~~and-the-maximum-credit-per-family-is~~
28 ~~reduced-by-\$2-for-each-\$4-of-household-income-over-\$33,500,~~ but
29 in no case is the credit less than zero.

30 For purposes of this section "income" has the meaning given
31 in section 290.067, subdivision 2a. In the case of a married
32 claimant, a credit is not allowed unless a joint income tax
33 return is filed.

34 (b) For a nonresident or part-year resident, the credit
35 determined under subdivision 1 and the maximum credit amount in
36 paragraph (a) must be allocated using the percentage calculated

1 in section 290.06, subdivision 2c, paragraph (e).

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

4 Sec. 11. [290.0676] [CREDIT FOR HISTORIC STRUCTURE
5 REHABILITATION.]

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

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

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

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

25 Subd. 2. [CREDIT ALLOWED.] A taxpayer who incurs costs for
26 the rehabilitation of eligible property may take a credit
27 against the tax imposed under this chapter in an amount equal to
28 ten percent of the total costs of rehabilitation. Costs of
29 rehabilitation include, but are not limited to, qualified
30 rehabilitation expenditures as defined under section 47(c)(2)(A)
31 of the Internal Revenue Code, provided that the costs of
32 rehabilitation must exceed 50 percent of the total basis in the
33 property at the time the rehabilitation activity begins and the
34 rehabilitation must meet standards consistent with the standards
35 of the Secretary of the Interior for rehabilitation as
36 determined by the State Historic Preservation Office of the

1 Minnesota Historical Society.

2 Subd. 3. [PARTNERSHIPS; MULTIPLE OWNERS; TRANSFERS.] (a)
3 Credits granted to a partnership, a limited liability company
4 taxed as a partnership, or multiple owners of property shall be
5 passed through to the partners, members, or owners,
6 respectively, pro rata or pursuant to an executed agreement
7 among the partners, members, or owners documenting an alternate
8 distribution method.

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

18 Subd. 4. [PROCESS.] To claim the credit, the taxpayer must
19 apply to the State Historic Preservation Office of the Minnesota
20 Historical Society before a historic rehabilitation project
21 begins. The State Historic Preservation Office shall determine
22 the amount of eligible rehabilitation costs and whether the
23 rehabilitation meets the standards of the United States
24 Department of the Interior. The State Historic Preservation
25 Office shall issue certificates verifying eligibility for and
26 the amount of credit. The taxpayer shall attach the certificate
27 to any income tax return on which the credit is claimed. The
28 State Historic Preservation Office of the Minnesota Historical
29 Society may collect fees for applications for the historic
30 preservation tax credit. Fees shall be set at an amount that
31 does not exceed the costs of administering the tax credit
32 program.

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

1 (b) For purposes of this subdivision, a historic
2 rehabilitation mortgage credit is a certificate that is issued
3 to the taxpayer according to procedures prescribed by the State
4 Historic Preservation Office with respect to the certified
5 rehabilitation and which meets the requirements of this
6 paragraph. The face amount of the certificate must be equal to
7 the credit that would be allowable under subdivision 2 to the
8 taxpayer with respect to the rehabilitation. The certificate
9 may only be transferred by the taxpayer to a lending
10 institution, including a nondepository home mortgage lending
11 institution, in connection with a loan:

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

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

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

23 (1) the principal amount of the loan;

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

25 (3) the taxpayer's cost of purchasing the building, but
26 only in the case of a qualified historic home that is located in
27 a poverty-impacted area as designated by the State Historic
28 Preservation Office.

29 The lending institution may take as a credit against the
30 tax due under this chapter an amount equal to the amount
31 specified in the certificate. If the amount of the discount
32 retained by the lender exceeds the amount by which the lending
33 institution's federal income tax liability is increased due to
34 the use of a mortgage credit certificate, the excess shall be
35 refunded to the borrower with interest at the rate prescribed by
36 the State Historic Preservation Office. The lending institution

1 may carry forward all unused credits under this subdivision
2 until exhausted. Nothing in this subdivision requires a lending
3 institution to accept a historic rehabilitation certificate from
4 any person.

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

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

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

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

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

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

18 (i) the charitable contribution deduction under section 170
19 of the Internal Revenue Code ~~to the extent that the deduction~~
20 ~~exceeds 1.0 percent of adjusted gross income, as defined in~~
21 ~~section 62 of the Internal Revenue Code;~~

22 (ii) the medical expense deduction;

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

24 (iv) the impairment-related work expenses of a disabled
25 person; and

26 (v) the amount of the exemption allowed the taxpayer under
27 section 151(c) of the Internal Revenue Code;

28 (3) for depletion allowances computed under section 613A(c)
29 of the Internal Revenue Code, with respect to each property (as
30 defined in section 614 of the Internal Revenue Code), to the
31 extent not included in federal alternative minimum taxable
32 income, the excess of the deduction for depletion allowable
33 under section 611 of the Internal Revenue Code for the taxable
34 year over the adjusted basis of the property at the end of the
35 taxable year (determined without regard to the depletion
36 deduction for the taxable year);

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

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

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

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

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

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

16 (3) the amount of investment interest paid or accrued
17 within the taxable year on indebtedness to the extent that the
18 amount does not exceed net investment income, as defined in
19 section 163(d)(4) of the Internal Revenue Code. Interest does
20 not include amounts deducted in computing federal adjusted gross
21 income; and

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

25 In the case of an estate or trust, alternative minimum
26 taxable income must be computed as provided in section 59(c) of
27 the Internal Revenue Code.

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

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

33 (d) "Regular tax" means the tax that would be imposed under
34 this chapter (without regard to this section and section
35 290.032), reduced by the sum of the nonrefundable credits
36 allowed under this chapter.

1 (e) "Net minimum tax" means the minimum tax imposed by this
2 section.

3 [EFFECTIVE DATE.] This section is effective only if section
4 7 of this article is enacted for taxable years beginning after
5 December 31, 2004.

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

8 Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing
9 the alternative minimum tax, the exemption amount is the
10 exemption-determined-under-section-55(d)-of-the-Internal-Revenue
11 Code, as amended through December 31, 1992, except that
12 alternative-minimum-taxable-income-as-determined-under-this
13 section-must-be-substituted-in-the-computation-of-the-phase-out
14 under-section-55(d)(3) \$66,300 for married individuals filing
15 joint returns; and \$33,150 for married individuals filing
16 separate returns, single individuals, and head of household
17 filers.

18 (b) The exemption amount determined under this subdivision
19 is reduced by an amount equal to 25 percent of the amount by
20 which the alternative minimum income exceeds \$248,600 for
21 married individuals filing joint returns; and \$124,300 for
22 married individuals filing separate returns, single individuals,
23 and head of household filers.

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

35 [EFFECTIVE DATE.] This section is effective only if section
36 7 of this article is enacted for taxable years beginning after

1 December 31, 2004.

2 Sec. 14. Minnesota Statutes 2004, section 290.10, is
3 amended to read:

4 290.10 [NONDEDUCTIBLE ITEMS.]

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

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

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

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

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

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

36 (1) paid pursuant to a conviction or a plea of guilty or

1 nolo contendere for any crime in a criminal proceeding;

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

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

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

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

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

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

17 Every individual who files an income tax return or property
18 tax refund claim, and every corporation that files an income tax
19 return, may designate on their return that \$1 or more shall be
20 added to the tax or deducted from the refund that would
21 otherwise be payable by or to that individual or corporation and
22 paid into an account to be established for the purpose of paying
23 bonuses to residents of this state who are veterans of the
24 global war on terrorism. The commissioner shall, on the income
25 tax returns and the property tax refund claim form, notify
26 filers of their right to designate that a portion of their tax
27 or refund shall be paid into the account for veterans of the
28 global war on terrorism. The amounts designated under this
29 section shall be annually appropriated to the commissioner of
30 the Department of Veterans Affairs to pay bonuses to veterans of
31 the global war on terrorism as determined by law. All interest
32 earned on money accrued shall be credited to the account by the
33 commissioner of finance.

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

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

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

8 (b) The amount of tax withheld is determined by multiplying
9 the partner's distributive share allocable to Minnesota under
10 section 290.17, paid or credited during the taxable year by the
11 highest rate used to determine the income tax liability for an
12 individual under section 290.06, subdivision 2c, except that the
13 amount of tax withheld may be determined by the commissioner if
14 the partner submits a withholding exemption certificate under
15 subdivision 5.

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

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

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

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

26 (3) the partnership is liquidated or terminated, the income
27 was generated by a transaction related to the termination or
28 liquidation, and no cash or other property was distributed in
29 the current or prior taxable year; or

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

32 (i) income required to be recognized because of discharge
33 of indebtedness;

34 (ii) income recognized because of a sale, exchange, or
35 other disposition of real estate, depreciable property, or
36 property described in section 179 of the Internal Revenue Code;

1 or

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

6 to the extent that the income does not include cash received or
7 receivable or, if there is cash received or receivable, to the
8 extent that the cash is required to be used to pay indebtedness
9 by the partnership or a secured debt on partnership property; or

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

12 (e) For purposes of subdivision 6a, and sections 289A.09,
13 subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50,
14 289A.56, 289A.60, and 289A.63, a partnership is considered an
15 employer.

16 (f) To the extent that income is exempt from withholding
17 under paragraph (d), clause (4), the commissioner has a lien in
18 an amount up to the amount that would be required to be withheld
19 with respect to the income of the partner attributable to the
20 partnership interest, but for the application of paragraph (d),
21 clause (4). The lien arises under section 270.69 from the date
22 of assessment of the tax against the partner, and attaches to
23 that partner's share of the profits and any other money due or
24 to become due to that partner in respect of the partnership.

25 Notice of the lien may be sent by mail to the partnership,
26 without the necessity for recording the lien. The notice has
27 the force and effect of a levy under section 270.70, and is
28 enforceable against the partnership in the manner provided by
29 that section. Upon payment in full of the liability subsequent
30 to the notice of lien, the partnership must be notified that the
31 lien has been satisfied.

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

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

35 The Minnesota Historical Society shall annually determine
36 the economic impact to the state from the rehabilitation of

1 eligible property for which credits are provided under section 1
2 and report on the impact to the committees on taxes of the
3 senate and house of representatives.

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

5 The commissioners of the Departments of Finance and Revenue
6 shall conduct a comprehensive study to identify the reasons for
7 the decline in corporate tax receipts. The study shall include
8 an analysis of the current and future effect of existing
9 corporate tax provisions, both independently and interactively
10 with other provisions; how tax provisions are changing business
11 practices; and the impact of outsourcing or relocation of
12 business operations and jobs. On or before February 1, 2006,
13 the commissioners shall report to the chairpersons of the house
14 and senate tax committees the results of the study and shall
15 include recommendations for changes to the tax laws that would
16 reduce tax incentives for businesses to outsource or relocate
17 business operations or jobs.

18 ARTICLE 2

19 FEDERAL UPDATE

20 Section 1. Minnesota Statutes 2004, section 289A.02,
21 subdivision 7, is amended to read:

22 Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically
23 defined otherwise, "Internal Revenue Code" means the Internal
24 Revenue Code of 1986, as amended through ~~June-15-2003~~ December
25 31, 2004.

26 [EFFECTIVE DATE.] This section is effective the day
27 following final enactment.

28 Sec. 2. Minnesota Statutes 2004, section 290.01,
29 subdivision 19, is amended to read:

30 Subd. 19. [NET INCOME.] The term "net income" means the
31 federal taxable income, as defined in section 63 of the Internal
32 Revenue Code of 1986, as amended through the date named in this
33 subdivision, incorporating the federal effective dates of
34 changes to the Internal Revenue Code and any elections made by
35 the taxpayer in accordance with the Internal Revenue Code in
36 determining federal taxable income for federal income tax

1 purposes, and with the modifications provided in subdivisions
2 19a to 19f.

3 In the case of a regulated investment company or a fund
4 thereof, as defined in section 851(a) or 851(g) of the Internal
5 Revenue Code, federal taxable income means investment company
6 taxable income as defined in section 852(b)(2) of the Internal
7 Revenue Code, except that:

8 (1) the exclusion of net capital gain provided in section
9 852(b)(2)(A) of the Internal Revenue Code does not apply;

10 (2) the deduction for dividends paid under section
11 852(b)(2)(D) of the Internal Revenue Code must be applied by
12 allowing a deduction for capital gain dividends and
13 exempt-interest dividends as defined in sections 852(b)(3)(C)
14 and 852(b)(5) of the Internal Revenue Code; and

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

19 The net income of a real estate investment trust as defined
20 and limited by section 856(a), (b), and (c) of the Internal
21 Revenue Code means the real estate investment trust taxable
22 income as defined in section 857(b)(2) of the Internal Revenue
23 Code.

24 The net income of a designated settlement fund as defined
25 in section 468B(d) of the Internal Revenue Code means the gross
26 income as defined in section 468B(b) of the Internal Revenue
27 Code.

28 ~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a),~~
29 ~~1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,~~
30 ~~1616, 1617, 1704(i), and 1704(m) of the Small Business Job~~
31 ~~Protection Act, Public Law 104-188, the provisions of Public Law~~
32 ~~104-117, the provisions of sections 313(a) and (b)(1), 602(a),~~
33 ~~913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,~~
34 ~~1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)~~
35 ~~and (e), 1211(b), 1213, 1530(e)(2), 1601(f)(5) and (h), and~~
36 ~~1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law~~

1 ~~105-347, the provisions of section 6010 of the Internal Revenue~~
 2 ~~Service Restructuring and Reform Act of 1998, Public Law~~
 3 ~~105-2067, the provisions of section 4003 of the Omnibus~~
 4 ~~Consolidated and Emergency Supplemental Appropriations Act,~~
 5 ~~1999, Public Law 105-277, and the provisions of section 318 of~~
 6 ~~the Consolidated Appropriation Act of 2001, Public Law 106-554,~~
 7 ~~shall become effective at the time they become effective for~~
 8 ~~federal purposes.~~

9 The Internal Revenue Code of 1986, as amended through
 10 December 31, ~~1996~~ 2004, shall be in effect for taxable years
 11 beginning after December 31, 1996. The provisions of Public Law
 12 109-1, shall be effective for tax years beginning after December
 13 31, 2003.

14 ~~The provisions of sections 202(a) and (b), 221(a), 225,~~
 15 ~~312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and~~
 16 ~~(e), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,~~
 17 ~~1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,~~
 18 ~~1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)~~
 19 ~~of the Taxpayer Relief Act of 1997, Public Law 105-34, the~~
 20 ~~provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002,~~
 21 ~~and 7003 of the Internal Revenue Service Restructuring and~~
 22 ~~Reform Act of 1998, Public Law 105-206, the provisions of~~
 23 ~~section 3001 of the Omnibus Consolidated and Emergency~~
 24 ~~Supplemental Appropriations Act, 1999, Public Law 105-277, the~~
 25 ~~provisions of section 3001 of the Miscellaneous Trade and~~
 26 ~~Technical Corrections Act of 1999, Public Law 106-36, and the~~
 27 ~~provisions of section 316 of the Consolidated Appropriation Act~~
 28 ~~of 2001, Public Law 106-554, shall become effective at the time~~
 29 ~~they become effective for federal purposes.~~

30 ~~The Internal Revenue Code of 1986, as amended through~~
 31 ~~December 31, 1997, shall be in effect for taxable years~~
 32 ~~beginning after December 31, 1997.~~

33 ~~The provisions of sections 5002, 6009, 6011, and 7001 of~~
 34 ~~the Internal Revenue Service Restructuring and Reform Act of~~
 35 ~~1998, Public Law 105-206, the provisions of section 9010 of the~~
 36 ~~Transportation Equity Act for the 21st Century, Public Law~~

1 ~~105-178, the provisions of sections 1004, 4002, and 5301 of the~~
2 ~~Omnibus Consolidation and Emergency Supplemental Appropriations~~
3 ~~Act, 1999, Public Law 105-277, the provision of section 303 of~~
4 ~~the Ricky-Ray-Hemophilia-Relief-Fund-Act of 1998, Public Law~~
5 ~~105-369, the provisions of sections 532, 534, 536, 537, and 538~~
6 ~~of the Ticket-to-Work and Work Incentives Improvement Act of~~
7 ~~1999, Public Law 106-170, the provisions of the Installment Tax~~
8 ~~Correction Act of 2000, Public Law 106-573, and the provisions~~
9 ~~of section 309 of the Consolidated Appropriation Act of 2001,~~
10 ~~Public Law 106-554, shall become effective at the time they~~
11 ~~become effective for federal purposes.~~

12 ~~The Internal Revenue Code of 1986, as amended through~~
13 ~~December 31, 1998, shall be in effect for taxable years~~
14 ~~beginning after December 31, 1998.~~

15 ~~The provisions of the FSC Repeal and Extraterritorial~~
16 ~~Income Exclusion Act of 2000, Public Law 106-519, and the~~
17 ~~provision of section 412 of the Job Creation and Worker~~
18 ~~Assistance Act of 2002, Public Law 107-147, shall become~~
19 ~~effective at the time it became effective for federal purposes.~~

20 ~~The Internal Revenue Code of 1986, as amended through~~
21 ~~December 31, 1999, shall be in effect for taxable years~~
22 ~~beginning after December 31, 1999. -- The provisions of sections~~
23 ~~306 and 401 of the Consolidated Appropriation Act of 2001,~~
24 ~~Public Law 106-554, and the provision of section 632(b)(2)(A) of~~
25 ~~the Economic Growth and Tax Relief Reconciliation Act of 2001,~~
26 ~~Public Law 107-16, and provisions of sections 101 and 402 of the~~
27 ~~Job Creation and Worker Assistance Act of 2002, Public Law~~
28 ~~107-147, shall become effective at the same time it became~~
29 ~~effective for federal purposes.~~

30 ~~The Internal Revenue Code of 1986, as amended through~~
31 ~~December 31, 2000, shall be in effect for taxable years~~
32 ~~beginning after December 31, 2000. -- The provisions of sections~~
33 ~~659a and 671 of the Economic Growth and Tax Relief~~
34 ~~Reconciliation Act of 2001, Public Law 107-16, the provisions of~~
35 ~~sections 104, 105, and 111 of the Victims of Terrorism Tax~~
36 ~~Relief Act of 2001, Public Law 107-134, and the provisions of~~

1 ~~sections-201,-403,-413,-and-606-of-the-Job-Creation-and-Worker~~
 2 ~~Assistance-Act-of-2002,-Public-Law-107-147,-shall-become~~
 3 ~~effective-at-the-same-time-it-became-effective-for-federal~~
 4 ~~purposes.~~

5 ~~The-Internal-Revenue-Code-of-1986,-as-amended-through-March~~
 6 ~~15,-2002,-shall-be-in-effect-for-taxable-years-beginning-after~~
 7 ~~December-31,-2001.~~

8 ~~The-provisions-of-sections-101-and-102-of-the-Victims-of~~
 9 ~~Terrorism-Tax-Relief-Act-of-2001,-Public-Law-107-134,-shall~~
 10 ~~become-effective-at-the-same-time-it-becomes-effective-for~~
 11 ~~federal-purposes.~~

12 ~~The-Internal-Revenue-Code-of-1986,-as-amended-through-June~~
 13 ~~15,-2003,-shall-be-in-effect-for-taxable-years-beginning-after~~
 14 ~~December-31,-2002.--The-provisions-of-section-201-of-the-Jobs~~
 15 ~~and-Growth-Tax-Relief-and-Reconciliation-Act-of-2003,-H.R.-2,-if~~
 16 ~~it-is-enacted-into-law,-are-effective-at-the-same-time-it-became~~
 17 ~~effective-for-federal-purposes.~~

18 Except as otherwise provided, references to the Internal
 19 Revenue Code in subdivisions 19a 19 to 19g 19f mean the code in
 20 effect for purposes of determining net income for the applicable
 21 year.

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

24 Sec. 3. 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 or sales and use taxes paid or
18 accrued within the taxable year under this chapter and income or
19 sales and use taxes 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 of 1986,
26 as amended through June 15, 2003. For the purpose of this
27 paragraph, the disallowance of itemized deductions under section
28 68 of the Internal Revenue Code of 1986, income or sales and use
29 tax is the last itemized deduction disallowed;

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

33 (4) the amount of income taxes paid or accrued within the
34 taxable year under this chapter and income taxes paid to any
35 other state or any province or territory of Canada, to the
36 extent allowed as a deduction in determining federal adjusted

1 gross income. For the purpose of this paragraph, income taxes
2 do not include the taxes imposed by sections 290.0922,
3 subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

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

6 (6) the amount of a partner's pro rata share of net income
7 which does not flow through to the partner because the
8 partnership elected to pay the tax on the income under section
9 6242(a)(2) of the Internal Revenue Code; and

10 (7) 80 percent of the depreciation deduction allowed under
11 section 168(k) of the Internal Revenue Code. For purposes of
12 this clause, if the taxpayer has an activity that in the taxable
13 year generates a deduction for depreciation under section 168(k)
14 and the activity generates a loss for the taxable year that the
15 taxpayer is not allowed to claim for the taxable year, "the
16 depreciation allowed under section 168(k)" for the taxable year
17 is limited to excess of the depreciation claimed by the activity
18 under section 168(k) over the amount of the loss from the
19 activity that is not allowed in the taxable year. In succeeding
20 taxable years when the losses not allowed in the taxable year
21 are allowed, the depreciation under section 168(k) is allowed;

22 (8) 80 percent of the amount by which the deduction allowed
23 by section 179 of the Internal Revenue Code exceeds the
24 deduction allowable by section 179 of the Internal Revenue Code
25 of 1986, as amended through December 31, 2003;

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

29 (10) to the extent deducted in computing federal taxable
30 income, the amount by which the standard deduction allowed under
31 section 63(c) of the Internal Revenue Code exceeds the standard
32 deduction allowable under section 63(c) of the Internal Revenue
33 Code of 1986, as amended through December 31, 2003;

34 (11) the exclusion allowed under section 139A of the
35 Internal Revenue Code for federal subsidies for prescription
36 drug plans; and

1 (12) the deduction or exclusion allowed under section 223
2 of the Internal Revenue Code for contributions to health savings
3 accounts.

4 [EFFECTIVE DATE.] This section is effective for tax years
5 beginning after December 31, 2004, except the changes in clause
6 (2) are effective for tax years beginning after December 31,
7 2003.

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

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

13 (1) interest income on obligations of any authority,
14 commission, or instrumentality of the United States to the
15 extent includable in taxable income for federal income tax
16 purposes but exempt from state income tax under the laws of the
17 United States;

18 (2) if included in federal taxable income, the amount of
19 any overpayment of income tax to Minnesota or to any other
20 state, for any previous taxable year, whether the amount is
21 received as a refund or as a credit to another taxable year's
22 income tax liability;

23 (3) the amount paid to others, less the amount used to
24 claim the credit allowed under section 290.0674, not to exceed
25 \$1,625 for each qualifying child in grades kindergarten to 6 and
26 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
27 textbooks, and transportation of each qualifying child in
28 attending an elementary or secondary school situated in
29 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
30 wherein a resident of this state may legally fulfill the state's
31 compulsory attendance laws, which is not operated for profit,
32 and which adheres to the provisions of the Civil Rights Act of
33 1964 and chapter 363A. For the purposes of this clause,
34 "tuition" includes fees or tuition as defined in section
35 290.0674, subdivision 1, clause (1). As used in this clause,
36 "textbooks" includes books and other instructional materials and

1 equipment purchased or leased for use in elementary and
2 secondary schools in teaching only those subjects legally and
3 commonly taught in public elementary and secondary schools in
4 this state. Equipment expenses qualifying for deduction
5 includes expenses as defined and limited in section 290.0674,
6 subdivision 1, clause (3). "Textbooks" does not include
7 instructional books and materials used in the teaching of
8 religious tenets, doctrines, or worship, the purpose of which is
9 to instill such tenets, doctrines, or worship, nor does it
10 include books or materials for, or transportation to,
11 extracurricular activities including sporting events, musical or
12 dramatic events, speech activities, driver's education, or
13 similar programs. For purposes of the subtraction provided by
14 this clause, "qualifying child" has the meaning given in section
15 32(c)(3) of the Internal Revenue Code;

16 (4) income as provided under section 290.0802;

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

20 (6) to the extent included in federal taxable income,
21 postservice benefits for youth community service under section
22 124D.42 for volunteer service under United States Code, title
23 42, sections 12601 to 12604;

24 (7) to the extent not deducted in determining federal
25 taxable income by an individual who does not itemize deductions
26 for federal income tax purposes for the taxable year, an amount
27 equal to 50 percent of the excess of charitable contributions
28 over \$500 allowable as a deduction for the taxable year under
29 section 170(a) of the Internal Revenue Code ~~over-\$500~~ and under
30 the provisions of Public Law 109-1;

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

36 (9) for individuals who are allowed a federal foreign tax

1 credit for taxes that do not qualify for a credit under section
2 290.06, subdivision 22, an amount equal to the carryover of
3 subnational foreign taxes for the taxable year, but not to
4 exceed the total subnational foreign taxes reported in claiming
5 the foreign tax credit. For purposes of this clause, "federal
6 foreign tax credit" means the credit allowed under section 27 of
7 the Internal Revenue Code, and "carryover of subnational foreign
8 taxes" equals the carryover allowed under section 904(c) of the
9 Internal Revenue Code minus national level foreign taxes to the
10 extent they exceed the federal foreign tax credit;

11 (10) in each of the five tax years immediately following
12 the tax year in which an addition is required under subdivision
13 19a, clause (7), an amount equal to one-fifth of the delayed
14 depreciation. For purposes of this clause, "delayed
15 depreciation" means the amount of the addition made by the
16 taxpayer under subdivision 19a, clause (7), minus the positive
17 value of any net operating loss under section 172 of the
18 Internal Revenue Code generated for the tax year of the
19 addition. The resulting delayed depreciation cannot be less
20 than zero; and

21 (11) job opportunity building zone income as provided under
22 section 469.316-;

23 (12) in each of the five tax years immediately following
24 the tax year in which an addition is required under subdivision
25 19a, clause (8), or 19c, clause (17), in the case of a
26 shareholder of a corporation that is an S corporation, an amount
27 equal to one-fifth of the addition made by the taxpayer under
28 subdivision 19a, clause (8), or 19c, clause (17), in the case of
29 a shareholder of a corporation that is an S corporation, minus
30 the positive value of any net operating loss under section 172
31 of the Internal Revenue Code generated for the tax year of the
32 addition. If the net operating loss exceeds the addition for
33 the tax year, a subtraction is not allowed under this clause;

34 (13) to the extent included in federal taxable income,
35 compensation paid to a service member as defined in United
36 States Code, title 10, section 101(a)(5), for military service

1 as defined in the Service Member Civil Relief Act, Public Law
2 108-189, section 101(2), and compensation paid for state active
3 service as defined in section 190.05, subdivision 5a, clauses
4 (1) and (3), or federally funded state active service as defined
5 in section 190.05, subdivision 5b. This subtraction does not
6 apply to retirement income as defined in section 290.17,
7 subdivision 2, paragraph (a), clause (3); and

8 (14) distributions from a health savings account to the
9 extent the distributions are for the return of amounts added
10 back under subdivision 19a, clause (9), but only to the extent
11 that the amount of the distribution would have been deductible
12 under section 213 of the Internal Revenue Code for that taxable
13 year. For the purposes of this clause, distributions are
14 considered to be made from contributions subject to the add-back.

15 [EFFECTIVE DATE.] This section is effective for tax years
16 beginning after December 31, 2004, except the change to clause
17 (7) is effective for tax years beginning after December 31, 2003.

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

20 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE
21 INCOME.] For corporations, there shall be added to federal
22 taxable income:

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

30 (2) interest not subject to federal tax upon obligations
31 of: the United States, its possessions, its agencies, or its
32 instrumentalities; the state of Minnesota or any other state,
33 any of its political or governmental subdivisions, any of its
34 municipalities, or any of its governmental agencies or
35 instrumentalities; the District of Columbia; or Indian tribal
36 governments;

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

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

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

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

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

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

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

21 (10) for certified pollution control facilities placed in
22 service in a taxable year beginning before December 31, 1986,
23 and for which amortization deductions were elected under section
24 169 of the Internal Revenue Code of 1954, as amended through
25 December 31, 1985, the amount of the amortization deduction
26 allowed in computing federal taxable income for those
27 facilities;

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

31 (12) the amount of any environmental tax paid under section
32 59(a) of the Internal Revenue Code;

33 (13) the amount of a partner's pro rata share of net income
34 which does not flow through to the partner because the
35 partnership elected to pay the tax on the income under section
36 6242(a)(2) of the Internal Revenue Code;

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

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

7 (16) 80 percent of the depreciation deduction allowed under
8 section 168(k) of the Internal Revenue Code. For purposes of
9 this clause, if the taxpayer has an activity that in the taxable
10 year generates a deduction for depreciation under section 168(k)
11 and the activity generates a loss for the taxable year that the
12 taxpayer is not allowed to claim for the taxable year, "the
13 depreciation allowed under section 168(k)" for the taxable year
14 is limited to excess of the depreciation claimed by the activity
15 under section 168(k) over the amount of the loss from the
16 activity that is not allowed in the taxable year. In succeeding
17 taxable years when the losses not allowed in the taxable year
18 are allowed, the depreciation under section 168(k) is allowed;

19 (17) 80 percent of the amount by which the deduction
20 allowed by section 179 of the Internal Revenue Code exceeds the
21 deduction allowable by section 179 of the Internal Revenue Code
22 of 1986, as amended through December 31, 2003; and

23 (18) to the extent deducted in computing federal taxable
24 income, the amount of the deduction allowable under section 199
25 of the Internal Revenue Code.

26 **[EFFECTIVE DATE.]** This section is effective for tax years
27 beginning after December 31, 2004.

28 Sec. 6. Minnesota Statutes 2004, section 290.01,
29 subdivision 19d, is amended to read:

30 Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL
31 TAXABLE INCOME.] For corporations, there shall be subtracted
32 from federal taxable income after the increases provided in
33 subdivision 19c:

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

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

4 (3) any dividend (not including any distribution in
5 liquidation) paid within the taxable year by a national or state
6 bank to the United States, or to any instrumentality of the
7 United States exempt from federal income taxes, on the preferred
8 stock of the bank owned by the United States or the
9 instrumentality;

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

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

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

22 (5) the deduction for capital losses pursuant to sections
23 1211 and 1212 of the Internal Revenue Code, except that:

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

27 (ii) for capital losses incurred in taxable years beginning
28 after December 31, 1986, a capital loss carryover to each of the
29 15 taxable years succeeding the loss year shall be allowed;

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

35 (iv) for capital losses incurred in taxable years beginning
36 before January 1, 1987, a capital loss carryover to each of the

1 five taxable years succeeding the loss year to the extent such
2 loss was not used in a prior taxable year and subject to the
3 provisions of Minnesota Statutes 1986, section 290.16, shall be
4 allowed;

5 (6) an amount for interest and expenses relating to income
6 not taxable for federal income tax purposes, if (i) the income
7 is taxable under this chapter and (ii) the interest and expenses
8 were disallowed as deductions under the provisions of section
9 171(a)(2), 265 or 291 of the Internal Revenue Code in computing
10 federal taxable income;

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

23 (8) for certified pollution control facilities placed in
24 service in a taxable year beginning before December 31, 1986,
25 and for which amortization deductions were elected under section
26 169 of the Internal Revenue Code of 1954, as amended through
27 December 31, 1985, an amount equal to the allowance for
28 depreciation under Minnesota Statutes 1986, section 290.09,
29 subdivision 7;

30 (9) amounts included in federal taxable income that are due
31 to refunds of income, excise, or franchise taxes based on net
32 income or related minimum taxes paid by the corporation to
33 Minnesota, another state, a political subdivision of another
34 state, the District of Columbia, or a foreign country or
35 possession of the United States to the extent that the taxes
36 were added to federal taxable income under section 290.01,

1 subdivision 19c, clause (1), in a prior taxable year;

2 (10) 80 percent of royalties, fees, or other like income
3 accrued or received from a foreign operating corporation or a
4 foreign corporation which is part of the same unitary business
5 as the receiving corporation;

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

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

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

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

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

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

26 (17) for a corporation whose foreign sales corporation, as
27 defined in section 922 of the Internal Revenue Code, constituted
28 a foreign operating corporation during any taxable year ending
29 before January 1, 1995, and a return was filed by August 15,
30 1996, claiming the deduction under section 290.21, subdivision
31 4, for income received from the foreign operating corporation,
32 an amount equal to 1.23 multiplied by the amount of income
33 excluded under section 114 of the Internal Revenue Code,
34 provided the income is not income of a foreign operating
35 company;

36 (18) any decrease in subpart F income, as defined in

1 section 952(a) of the Internal Revenue Code, for the taxable
2 year when subpart F income is calculated without regard to the
3 provisions of section 614 of Public Law 107-147; and

4 (19) in each of the five tax years immediately following
5 the tax year in which an addition is required under subdivision
6 19c, clause (16), an amount equal to one-fifth of the delayed
7 depreciation. For purposes of this clause, "delayed
8 depreciation" means the amount of the addition made by the
9 taxpayer under subdivision 19c, clause (16). The resulting
10 delayed depreciation cannot be less than zero; and

11 (20) in each of the five tax years immediately following
12 the tax year in which an addition is required under subdivision
13 19c, clause (17), an amount equal to one-fifth of the amount of
14 the addition.

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

17 Sec. 7. Minnesota Statutes 2004, section 290.01,
18 subdivision 31, is amended to read:

19 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
20 defined otherwise, "Internal Revenue Code" means the Internal
21 Revenue Code of 1986, as amended through ~~June 15, 2003~~ December
22 31, 2004.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment except the changes incorporated by
25 federal changes are effective at the same times as the changes
26 were effective for federal purposes.

27 Sec. 8. Minnesota Statutes 2004, section 290.032,
28 subdivision 1, is amended to read:

29 Subdivision 1. [IMPOSITION.] There is hereby imposed as an
30 addition to the annual income tax for a taxable year of a
31 taxpayer in the classes described in section 290.03 a tax with
32 respect to any distribution received by such taxpayer that is
33 treated as a lump sum distribution under section ~~402(d)-of-the~~
34 Internal-Revenue-Code 1401(c)(2) of the Small Business Job
35 Protection Act, Public Law 104-188 and that is subject to tax
36 for such taxable year under section ~~402(d)-of-the-Internal~~

1 Revenue-Code 1401(c)(2) of the Small Business Job Protection
2 Act, Public Law 104-188.

3 [EFFECTIVE DATE.] This section is effective for tax years
4 beginning after December 31, 1999.

5 Sec. 9. Minnesota Statutes 2004, section 290.032,
6 subdivision 2, is amended to read:

7 Subd. 2. [COMPUTATION.] The amount of tax imposed by
8 subdivision 1 shall be computed in the same way as the tax
9 imposed under section 402(d) of the Internal Revenue Code of
10 1986, as amended through December 31, 1995, except that the
11 initial separate tax shall be an amount equal to five times the
12 tax which would be imposed by section 290.06, subdivision 2c, if
13 the recipient was an unmarried individual, and the taxable net
14 income was an amount equal to one-fifth of the excess of

15 (i) the total taxable amount of the lump sum distribution
16 for the year, over

17 (ii) the minimum distribution allowance, and except that
18 references in section 402(d) of the Internal Revenue Code of
19 1986, as amended through December 31, 1995, to paragraph (1)(A)
20 thereof shall instead be references to subdivision 1, and the
21 excess, if any, of the subtraction base amount over federal
22 taxable income for a qualified individual as provided under
23 section 290.0802, subdivision 2.

24 [EFFECTIVE DATE.] This section is effective for tax years
25 beginning after December 31, 1999.

26 Sec. 10. Minnesota Statutes 2004, section 290.06,
27 subdivision 2c, is amended to read:

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

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

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

1 (3) On all over \$102,030, 7.85 percent.

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

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

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

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

12 (3) On all over \$57,710, 7.85 percent.

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

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

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

20 (3) On all over \$86,910, 7.85 percent.

21 (d) In lieu of a tax computed according to the rates set
22 forth in this subdivision, the tax of any individual taxpayer
23 whose taxable net income for the taxable year is less than an
24 amount determined by the commissioner must be computed in
25 accordance with tables prepared and issued by the commissioner
26 of revenue based on income brackets of not more than \$100. The
27 amount of tax for each bracket shall be computed at the rates
28 set forth in this subdivision, provided that the commissioner
29 may disregard a fractional part of a dollar unless it amounts to
30 50 cents or more, in which case it may be increased to \$1.

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

36 (1) the numerator is the individual's Minnesota source

1 federal adjusted gross income as defined in section 62 of the
2 Internal Revenue Code and increased by the additions required
3 under section 290.01, subdivision 19a, clauses (1), (5), and
4 (6), (7), (8), and (9), and reduced by the subtraction under
5 section 290.01, subdivision 19b, clause (11), and the Minnesota
6 assignable portion of the subtraction for United States
7 government interest under section 290.01, subdivision 19b,
8 clause (1), and the subtractions under clauses (10), (11), (12),
9 and (13), after applying the allocation and assignability
10 provisions of section 290.081, clause (a), or 290.17; and

11 (2) the denominator is the individual's federal adjusted
12 gross income as defined in section 62 of the Internal Revenue
13 Code of 1986, increased by the amounts specified in section
14 290.01, subdivision 19a, clauses (1), (5), and (6), (7), (8),
15 and (9), and reduced by the amounts specified in section 290.01,
16 subdivision 19b, clauses (1) and (10), (11), (12), and (13).

17 **[EFFECTIVE DATE.]** This section is effective for tax years
18 beginning after December 31, 2004.

19 Sec. 11. Minnesota Statutes 2004, section 290.067,
20 subdivision 1, is amended to read:

21 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
22 as a credit against the tax due from the taxpayer and a spouse,
23 if any, under this chapter an amount equal to the dependent care
24 credit for which the taxpayer is eligible pursuant to the
25 provisions of section 21 of the Internal Revenue Code subject to
26 the limitations provided in subdivision 2 except that in
27 determining whether the child qualified as a dependent, income
28 received as a Minnesota family investment program grant or
29 allowance to or on behalf of the child must not be taken into
30 account in determining whether the child received more than half
31 of the child's support from the taxpayer, and the provisions of
32 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

33 (b) If a child who has not attained the age of six years at
34 the close of the taxable year is cared for at a licensed family
35 day care home operated by the child's parent, the taxpayer is
36 deemed to have paid employment-related expenses. If the child

1 is 16 months old or younger at the close of the taxable year,
2 the amount of expenses deemed to have been paid equals the
3 maximum limit for one qualified individual under section 21(c)
4 and (d) of the Internal Revenue Code. If the child is older
5 than 16 months of age but has not attained the age of six years
6 at the close of the taxable year, the amount of expenses deemed
7 to have been paid equals the amount the licensee would charge
8 for the care of a child of the same age for the same number of
9 hours of care.

10 (c) If a married couple:

11 (1) has a child who has not attained the age of one year at
12 the close of the taxable year;

13 (2) files a joint tax return for the taxable year; and

14 (3) does not participate in a dependent care assistance
15 program as defined in section 129 of the Internal Revenue Code,
16 in lieu of the actual employment related expenses paid for that
17 child under paragraph (a) or the deemed amount under paragraph
18 (b), the lesser of (i) the combined earned income of the couple
19 or (ii) the amount of the maximum limit for one qualified
20 individual under section 21(c) and (d) of the Internal Revenue
21 Code will be deemed to be the employment related expense paid
22 for that child. The earned income limitation of section 21(d)
23 of the Internal Revenue Code shall not apply to this deemed
24 amount. These deemed amounts apply regardless of whether any
25 employment-related expenses have been paid.

26 (d) If the taxpayer is not required and does not file a
27 federal individual income tax return for the tax year, no credit
28 is allowed for any amount paid to any person unless:

29 (1) the name, address, and taxpayer identification number
30 of the person are included on the return claiming the credit; or

31 (2) if the person is an organization described in section
32 501(c)(3) of the Internal Revenue Code and exempt from tax under
33 section 501(a) of the Internal Revenue Code, the name and
34 address of the person are included on the return claiming the
35 credit.

36 In the case of a failure to provide the information required

1 under the preceding sentence, the preceding sentence does not
2 apply if it is shown that the taxpayer exercised due diligence
3 in attempting to provide the information required.

4 In the case of a nonresident, part-year resident, or a
5 person who has earned income not subject to tax under this
6 chapter including earned income excluded pursuant to section
7 290.01, subdivision 19b, clause (11), the credit determined
8 under section 21 of the Internal Revenue Code must be allocated
9 based on the ratio by which the earned income of the claimant
10 and the claimant's spouse from Minnesota sources bears to the
11 total earned income of the claimant and the claimant's spouse.

12 For residents of Minnesota, the exclusion of combat pay
13 under section 112 of the Internal Revenue Code and the
14 subtraction for military pay under section 290.01, subdivision
15 19b, clause (13), are not considered "earned income not subject
16 to tax under this chapter."

17 [EFFECTIVE DATE.] This section is effective for tax years
18 beginning after December 31, 2004.

19 Sec. 12. Minnesota Statutes 2004, section 290.067,
20 subdivision 2a, is amended to read:

21 Subd. 2a. [INCOME.] (a) For purposes of this section,
22 "income" means the sum of the following:

23 (1) federal adjusted gross income as defined in section 62
24 of the Internal Revenue Code; and

25 (2) the sum of the following amounts to the extent not
26 included in clause (1):

27 (i) all nontaxable income;

28 (ii) the amount of a passive activity loss that is not
29 disallowed as a result of section 469, paragraph (i) or (m) of
30 the Internal Revenue Code and the amount of passive activity
31 loss carryover allowed under section 469(b) of the Internal
32 Revenue Code;

33 (iii) an amount equal to the total of any discharge of
34 qualified farm indebtedness of a solvent individual excluded
35 from gross income under section 108(g) of the Internal Revenue
36 Code;

- 1 (iv) cash public assistance and relief;
- 2 (v) any pension or annuity (including railroad retirement
3 benefits, all payments received under the federal Social
4 Security Act, supplemental security income, and veterans
5 benefits), which was not exclusively funded by the claimant or
6 spouse, or which was funded exclusively by the claimant or
7 spouse and which funding payments were excluded from federal
8 adjusted gross income in the years when the payments were made;
- 9 (vi) interest received from the federal or a state
10 government or any instrumentality or political subdivision
11 thereof;
- 12 (vii) workers' compensation;
- 13 (viii) nontaxable strike benefits;
- 14 (ix) the gross amounts of payments received in the nature
15 of disability income or sick pay as a result of accident,
16 sickness, or other disability, whether funded through insurance
17 or otherwise;
- 18 (x) a lump sum distribution under section 402(e)(3) of the
19 Internal Revenue Code of 1986, as amended through December 31,
20 1995;
- 21 (xi) contributions made by the claimant to an individual
22 retirement account, including a qualified voluntary employee
23 contribution; simplified employee pension plan; self-employed
24 retirement plan; cash or deferred arrangement plan under section
25 401(k) of the Internal Revenue Code; or deferred compensation
26 plan under section 457 of the Internal Revenue Code; and
- 27 (xii) nontaxable scholarship or fellowship grants;
- 28 (xiii) the amount of deduction allowed under section 199 of
29 the Internal Revenue Code; and
- 30 (xiv) the amount of deduction allowed under section 220 or
31 223 of the Internal Revenue Code.

32 In the case of an individual who files an income tax return
33 on a fiscal year basis, the term "federal adjusted gross income"
34 means federal adjusted gross income reflected in the fiscal year
35 ending in the next calendar year. Federal adjusted gross income
36 may not be reduced by the amount of a net operating loss

1 carryback or carryforward or a capital loss carryback or
2 carryforward allowed for the year.

3 (b) "Income" does not include:

4 (1) amounts excluded pursuant to the Internal Revenue Code,
5 sections 101(a) and 102;

6 (2) amounts of any pension or annuity that were exclusively
7 funded by the claimant or spouse if the funding payments were
8 not excluded from federal adjusted gross income in the years
9 when the payments were made;

10 (3) surplus food or other relief in kind supplied by a
11 governmental agency;

12 (4) relief granted under chapter 290A;

13 (5) child support payments received under a temporary or
14 final decree of dissolution or legal separation; and

15 (6) restitution payments received by eligible individuals
16 and excludable interest as defined in section 803 of the
17 Economic Growth and Tax Relief Reconciliation Act of 2001,
18 Public Law 107-16.

19 [EFFECTIVE DATE.] This section is effective for tax years
20 beginning after December 31, 2003.

21 Sec. 13. Minnesota Statutes 2004, section 290.0671,
22 subdivision 1, is amended to read:

23 Subdivision 1. [CREDIT ALLOWED.] (a) An individual is
24 allowed a credit against the tax imposed by this chapter equal
25 to a percentage of earned income. To receive a credit, a
26 taxpayer must be eligible for a credit under section 32 of the
27 Internal Revenue Code.

28 (b) For individuals with no qualifying children, the credit
29 equals 1.9125 percent of the first \$4,620 of earned income. The
30 credit is reduced by 1.9125 percent of earned income or modified
31 adjusted gross income, whichever is greater, in excess of
32 \$5,770, but in no case is the credit less than zero.

33 (c) For individuals with one qualifying child, the credit
34 equals 8.5 percent of the first \$6,920 of earned income and 8.5
35 percent of earned income over \$12,080 but less than \$13,450.
36 The credit is reduced by 5.73 percent of earned income or

1 modified adjusted gross income, whichever is greater, in excess
2 of \$15,080, but in no case is the credit less than zero.

3 (d) For individuals with two or more qualifying children,
4 the credit equals ten percent of the first \$9,720 of earned
5 income and 20 percent of earned income over \$14,860 but less
6 than \$16,800. The credit is reduced by 10.3 percent of earned
7 income or modified adjusted gross income, whichever is greater,
8 in excess of \$17,890, but in no case is the credit less than
9 zero.

10 (e) For a nonresident or part-year resident, the credit
11 must be allocated based on the percentage calculated under
12 section 290.06, subdivision 2c, paragraph (e).

13 (f) For a person who was a resident for the entire tax year
14 and has earned income not subject to tax under this chapter,
15 including income excluded under section 290.01, subdivision 19b,
16 clause (11), the credit must be allocated based on the ratio of
17 federal adjusted gross income reduced by the earned income not
18 subject to tax under this chapter over federal adjusted gross
19 income. For the purposes of this paragraph, the exclusion of
20 combat pay under section 112 of the Internal Revenue Code and
21 the subtraction for military pay under section 290.01,
22 subdivision 19b, clause (13), are not considered "earned income
23 not subject to tax under this chapter."

24 (g) For tax years beginning after December 31, 2001, and
25 before December 31, 2004, the \$5,770 in paragraph (b), the
26 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
27 after being adjusted for inflation under subdivision 7, are each
28 increased by \$1,000 for married taxpayers filing joint returns.

29 (h) For tax years beginning after December 31, 2004, and
30 before December 31, 2007, the \$5,770 in paragraph (b), the
31 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),
32 after being adjusted for inflation under subdivision 7, are each
33 increased by \$2,000 for married taxpayers filing joint returns.

34 (i) For tax years beginning after December 31, 2007, and
35 before December 31, 2010, the \$5,770 in paragraph (b), the
36 \$15,080 in paragraph (c), and the \$17,890 in paragraph (d),

1 after being adjusted for inflation under subdivision 7, are each
2 increased by \$3,000 for married taxpayers filing joint returns.
3 For tax years beginning after December 31, 2008, the \$3,000 is
4 adjusted annually for inflation under subdivision 7.

5 (j) The commissioner shall construct tables showing the
6 amount of the credit at various income levels and make them
7 available to taxpayers. The tables shall follow the schedule
8 contained in this subdivision, except that the commissioner may
9 graduate the transition between income brackets.

10 [EFFECTIVE DATE.] This section is effective for tax years
11 beginning after December 31, 2004.

12 Sec. 14. Minnesota Statutes 2004, section 290.0675,
13 subdivision 1, is amended to read:

14 Subdivision 1. [DEFINITIONS.] (a) For purposes of this
15 section the following terms have the meanings given.

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

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

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

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

24 (c) "Taxable income" means net income as defined in section
25 290.01, subdivision 19.

26 (d) "Earned income of lesser-earning spouse" means the
27 earned income of the spouse with the lesser amount of earned
28 income as defined in paragraph (b) for the taxable year minus
29 the sum of (i) the amount for one exemption under section 151(d)
30 of the Internal Revenue Code and (ii) one-half the amount of the
31 standard deduction under section 63(c)(2)(A) and (4) of the
32 Internal Revenue Code of 1986, as amended through December 31,
33 2003.

34 [EFFECTIVE DATE.] This section is effective for tax years
35 beginning after December 31, 2004.

36 Sec. 15. Minnesota Statutes 2004, section 290.091,

1 subdivision 2, is amended to read:

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

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

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

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

11 (i) the charitable contribution deduction under section 170
12 of the Internal Revenue Code to the extent that the deduction
13 exceeds 1.0 percent of adjusted gross income, as defined in
14 section 62 of the Internal Revenue Code;

15 (ii) the medical expense deduction;

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

17 (iv) the impairment-related work expenses of a disabled
18 person;

19 (3) for depletion allowances computed under section 613A(c)
20 of the Internal Revenue Code, with respect to each property (as
21 defined in section 614 of the Internal Revenue Code), to the
22 extent not included in federal alternative minimum taxable
23 income, the excess of the deduction for depletion allowable
24 under section 611 of the Internal Revenue Code for the taxable
25 year over the adjusted basis of the property at the end of the
26 taxable year (determined without regard to the depletion
27 deduction for the taxable year);

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

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

35 (6) the amount of addition required by section 290.01,
36 subdivision 19a, ~~clause~~ clauses (7), (8), and (9);

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

2 (1) interest income as defined in section 290.01,

3 subdivision 19b, clause (1);

4 (2) an overpayment of state income tax as provided by

5 section 290.01, subdivision 19b, clause (2), to the extent

6 included in federal alternative minimum taxable income;

7 (3) the amount of investment interest paid or accrued

8 within the taxable year on indebtedness to the extent that the

9 amount does not exceed net investment income, as defined in

10 section 163(d)(4) of the Internal Revenue Code. Interest does

11 not include amounts deducted in computing federal adjusted gross

12 income; and

13 (4) amounts subtracted from federal taxable income as

14 provided by section 290.01, subdivision 19b, clauses (10) and,

15 (11), (12), and (13).

16 In the case of an estate or trust, alternative minimum

17 taxable income must be computed as provided in section 59(c) of

18 the Internal Revenue Code.

19 (b) "Investment interest" means investment interest as

20 defined in section 163(d)(3) of the Internal Revenue Code.

21 (c) "Tentative minimum tax" equals 6.4 percent of

22 alternative minimum taxable income after subtracting the

23 exemption amount determined under subdivision 3.

24 (d) "Regular tax" means the tax that would be imposed under

25 this chapter (without regard to this section and section

26 290.032), reduced by the sum of the nonrefundable credits

27 allowed under this chapter.

28 (e) "Net minimum tax" means the minimum tax imposed by this

29 section.

30 **[EFFECTIVE DATE.]** This section is effective for tax years

31 beginning after December 31, 2004.

32 Sec. 16. Minnesota Statutes 2004, section 290A.03,

33 subdivision 3, is amended to read:

34 Subd. 3. **[INCOME.]** (1) "Income" means the sum of the

35 following:

36 (a) federal adjusted gross income as defined in the

1 Internal Revenue Code; and

2 (b) the sum of the following amounts to the extent not
3 included in clause (a):

4 (i) all nontaxable income;

5 (ii) the amount of a passive activity loss that is not
6 disallowed as a result of section 469, paragraph (i) or (m) of
7 the Internal Revenue Code and the amount of passive activity
8 loss carryover allowed under section 469(b) of the Internal
9 Revenue Code;

10 (iii) an amount equal to the total of any discharge of
11 qualified farm indebtedness of a solvent individual excluded
12 from gross income under section 108(g) of the Internal Revenue
13 Code;

14 (iv) cash public assistance and relief;

15 (v) any pension or annuity (including railroad retirement
16 benefits, all payments received under the federal Social
17 Security Act, supplemental security income, and veterans
18 benefits), which was not exclusively funded by the claimant or
19 spouse, or which was funded exclusively by the claimant or
20 spouse and which funding payments were excluded from federal
21 adjusted gross income in the years when the payments were made;

22 (vi) interest received from the federal or a state
23 government or any instrumentality or political subdivision
24 thereof;

25 (vii) workers' compensation;

26 (viii) nontaxable strike benefits;

27 (ix) the gross amounts of payments received in the nature
28 of disability income or sick pay as a result of accident,
29 sickness, or other disability, whether funded through insurance
30 or otherwise;

31 (x) a lump sum distribution under section 402(e)(3) of the
32 Internal Revenue Code of 1986, as amended through December 31,
33 1995;

34 (xi) contributions made by the claimant to an individual
35 retirement account, including a qualified voluntary employee
36 contribution; simplified employee pension plan; self-employed

1 retirement plan; cash or deferred arrangement plan under section
2 401(k) of the Internal Revenue Code; or deferred compensation
3 plan under section 457 of the Internal Revenue Code; and
4 (xii) nontaxable scholarship or fellowship grants;
5 (xiii) the amount of deduction allowed under section 199 of
6 the Internal Revenue Code; and
7 (xiv) the amount of deduction allowed under section 220 or
8 223 of the Internal Revenue Code.

9 In the case of an individual who files an income tax return
10 on a fiscal year basis, the term "federal adjusted gross income"
11 shall mean federal adjusted gross income reflected in the fiscal
12 year ending in the calendar year. Federal adjusted gross income
13 shall not be reduced by the amount of a net operating loss
14 carryback or carryforward or a capital loss carryback or
15 carryforward allowed for the year.

16 (2) "Income" does not include:

17 (a) amounts excluded pursuant to the Internal Revenue Code,
18 sections 101(a) and 102;

19 (b) amounts of any pension or annuity which was exclusively
20 funded by the claimant or spouse and which funding payments were
21 not excluded from federal adjusted gross income in the years
22 when the payments were made;

23 (c) surplus food or other relief in kind supplied by a
24 governmental agency;

25 (d) relief granted under this chapter;

26 (e) child support payments received under a temporary or
27 final decree of dissolution or legal separation; or

28 (f) restitution payments received by eligible individuals
29 and excludable interest as defined in section 803 of the
30 Economic Growth and Tax Relief Reconciliation Act of 2001,
31 Public Law 107-16.

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

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

36 (b) for the claimant's second dependent, the exemption

1 amount multiplied by 1.3;

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

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

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

8 (f) if the claimant or claimant's spouse was disabled or
9 attained the age of 65 on or before December 31 of the year for
10 which the taxes were levied or rent paid, the exemption amount.

11 For purposes of this subdivision, the "exemption amount"
12 means the exemption amount under section 151(d) of the Internal
13 Revenue Code for the taxable year for which the income is
14 reported.

15 [EFFECTIVE DATE.] This section is effective for property
16 tax refunds based on household income for 2004 and thereafter.

17 Sec. 17. Minnesota Statutes 2004, section 290A.03,
18 subdivision 15, is amended to read:

19 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
20 means the Internal Revenue Code of 1986, as amended through ~~June~~
21 ~~157-2003~~ December 31, 2004.

22 [EFFECTIVE DATE.] This section is effective for property
23 tax refunds based on property taxes payable on or after December
24 31, 2004, and rent paid on or after December 31, 2003.

25 Sec. 18. [PRE-EMPTION.]

26 If a bill styled as S.F. No. 1209 is enacted during the
27 2005 legislative session, and includes federal update
28 provisions, the provisions of that act relating to federal
29 updates are repealed.

30 ARTICLE 3

31 SALES TAX

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

34 Subdivision 1. [RETURN REQUIRED.] Except as provided in
35 section 289A.18, ~~subdivision~~ subdivisions 4 and 4a, for the
36 month in which taxes imposed by chapter 297A are payable, or for

1 which a return is due, a return for the preceding reporting
2 period must be filed with the commissioner in the form and
3 manner the commissioner prescribes. A person making sales at
4 retail at two or more places of business may file a consolidated
5 return subject to rules prescribed by the commissioner. In
6 computing the dollar amount of items on the return, the amounts
7 are rounded off to the nearest whole dollar, disregarding
8 amounts less than 50 cents and increasing amounts of 50 cents to
9 99 cents to the next highest dollar.

10 ~~Notwithstanding this subdivision, a person who is not~~
11 ~~required to hold a sales tax permit under chapter 297A and who~~
12 ~~makes annual purchases of less than \$18,500 that are subject to~~
13 ~~the use tax imposed by section 297A.63, may file an annual use~~
14 ~~tax return on a form prescribed by the commissioner. If a~~
15 ~~person who qualifies for an annual use tax reporting period is~~
16 ~~required to obtain a sales tax permit or makes use tax purchases~~
17 ~~in excess of \$18,500 during the calendar year, the reporting~~
18 ~~period must be considered ended at the end of the month in which~~
19 ~~the permit is applied for or the purchase in excess of \$18,500~~
20 ~~is made and a return must be filed for the preceding reporting~~
21 ~~period.~~

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

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

26 Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use
27 tax returns must be filed on or before the 20th day of the month
28 following the close of the preceding reporting period,
29 ~~except that annual use tax~~ returns provided for under section
30 ~~289A.11, subdivision 1, must be filed by April 15 following the~~
31 ~~close of the calendar year~~ subdivision 4a, in the case of
32 individuals. Annual use tax returns of businesses, including
33 sole proprietorships, and annual sales tax returns must be filed
34 by February 5 following the close of the calendar year.

35 (b) Returns for the June reporting period filed by
36 retailers required to remit their June liability under section

1 289A.20, subdivision 4, paragraph (b), are due on or before
2 August 20.

3 (c) If a retailer has an average sales and use tax
4 liability, including local sales and use taxes administered by
5 the commissioner, equal to or less than \$500 per month in any
6 quarter of a calendar year, and has substantially complied with
7 the tax laws during the preceding four calendar quarters, the
8 retailer may request authorization to file and pay the taxes
9 quarterly in subsequent calendar quarters. The authorization
10 remains in effect during the period in which the retailer's
11 quarterly returns reflect sales and use tax liabilities of less
12 than \$1,500 and there is continued compliance with state tax
13 laws.

14 (d) If a retailer has an average sales and use tax
15 liability, including local sales and use taxes administered by
16 the commissioner, equal to or less than \$100 per month during a
17 calendar year, and has substantially complied with the tax laws
18 during that period, the retailer may request authorization to
19 file and pay the taxes annually in subsequent years. The
20 authorization remains in effect during the period in which the
21 retailer's annual returns reflect sales and use tax liabilities
22 of less than \$1,200 and there is continued compliance with state
23 tax laws.

24 (e) The commissioner may also grant quarterly or annual
25 filing and payment authorizations to retailers if the
26 commissioner concludes that the retailers' future tax
27 liabilities will be less than the monthly totals identified in
28 paragraphs (c) and (d). An authorization granted under this
29 paragraph is subject to the same conditions as an authorization
30 granted under paragraphs (c) and (d).

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

33 (1) the cash basis as the consideration is received; or

34 (2) the accrual basis as sales are made.

35 As used in this paragraph, "materials supplier" means a person
36 who provides materials for the improvement of real property; who

1 is primarily engaged in the sale of lumber and building
2 materials-related products to owners, contractors,
3 subcontractors, repairers, or consumers; who is authorized to
4 file a mechanics lien upon real property and improvements under
5 chapter 514; and who files with the commissioner an election to
6 file sales and use tax returns on the basis of this paragraph.

7 (g) Notwithstanding paragraphs (a) to (f), a seller that is
8 not a Model 1, 2, or 3 seller, as those terms are used in the
9 Streamlined Sales and Use Tax Agreement, that does not have a
10 legal requirement to register in Minnesota, and that is
11 registered under the agreement, must file a return by February 5
12 following the close of the calendar year in which the seller
13 initially registers, and must file subsequent returns on
14 February 5 on an annual basis in succeeding years.
15 Additionally, a return must be submitted on or before the 20th
16 day of the month following any month by which sellers have
17 accumulated state and local tax funds for the state in the
18 amount of \$1,000 or more.

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

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

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

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

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

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

36 [EFFECTIVE DATE.] This section is effective for purchases

1 made on and after July 1, 2005, and for income tax returns
2 required to be filed for tax years beginning after December 31,
3 2004.

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

6 Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid
7 transit system" means a transportation system of small,
8 computer-controlled vehicles, transporting one to three
9 passengers on elevated guideways in a transportation network
10 operating on demand and nonstop directly to any stations in the
11 network. The system shall provide service on a regular and
12 continuing basis and operate independent of any government
13 subsidies.

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

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

18 Subd. 32. [GEOTHERMAL EQUIPMENT.] The loop field
19 collection system and the heat pump of a geothermal heating and
20 cooling system is exempt.

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

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

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

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

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

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

35 "Capital equipment" means machinery and equipment purchased
36 or leased, and used in this state by the purchaser or lessee

1 primarily for manufacturing, fabricating, mining, or refining
2 tangible personal property to be sold ultimately at retail if
3 the machinery and equipment are essential to the integrated
4 production process of manufacturing, fabricating, mining, or
5 refining. Capital equipment also includes machinery and
6 equipment used to electronically transmit results retrieved by a
7 customer of an on-line computerized data retrieval system.

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

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

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

13 (3) environmental control devices that are used to maintain
14 conditions such as temperature, humidity, light, or air pressure
15 when those conditions are essential to and are part of the
16 production process;

17 (4) materials and supplies used to construct and install
18 machinery or equipment;

19 (5) repair and replacement parts, including accessories,
20 whether purchased as spare parts, repair parts, or as upgrades
21 or modifications to machinery or equipment;

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

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

26 (8) ready-mixed concrete equipment in which the ready-mixed
27 concrete is mixed as part of the delivery process regardless if
28 mounted on a chassis and leases of ready-mixed concrete trucks;
29 and

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

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

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

34 (2) machinery or equipment used to receive or store raw
35 materials;

36 (3) building materials, except for materials included in

1 paragraph (b), clauses (6) and (7);

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

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

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

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

14 (d) For purposes of this subdivision:

15 (1) "Equipment" means independent devices or tools separate
16 from machinery but essential to an integrated production
17 process, including computers and computer software, used in
18 operating, controlling, or regulating machinery and equipment;
19 and any subunit or assembly comprising a component of any
20 machinery or accessory or attachment parts of machinery, such as
21 tools, dies, jigs, patterns, and molds.

22 (2) "Fabricating" means to make, build, create, produce, or
23 assemble components or property to work in a new or different
24 manner.

25 (3) "Integrated production process" means a process or
26 series of operations through which tangible personal property is
27 manufactured, fabricated, mined, or refined. For purposes of
28 this clause, (i) manufacturing begins with the removal of raw
29 materials from inventory and ends when the last process prior to
30 loading for shipment has been completed; (ii) fabricating begins
31 with the removal from storage or inventory of the property to be
32 assembled, processed, altered, or modified and ends with the
33 creation or production of the new or changed product; (iii)
34 mining begins with the removal of overburden from the site of
35 the ores, minerals, stone, peat deposit, or surface materials
36 and ends when the last process before stockpiling is completed;

1 and (iv) refining begins with the removal from inventory or
2 storage of a natural resource and ends with the conversion of
3 the item to its completed form.

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

10 (5) "Machinery and equipment used for pollution control"
11 means machinery and equipment used solely to eliminate, prevent,
12 or reduce pollution resulting from an activity described in
13 paragraph (a).

14 (6) "Manufacturing" means an operation or series of
15 operations where raw materials are changed in form, composition,
16 or condition by machinery and equipment and which results in the
17 production of a new article of tangible personal property. For
18 purposes of this subdivision, "manufacturing" includes the
19 generation of electricity or steam to be sold at retail.

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

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

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

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

31 (11) This subdivision does not apply to telecommunications
32 equipment as provided in subdivision 35, and does not apply to
33 wire, cable, fiber, poles, or conduit for telecommunications
34 services.

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

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

3 Subd. 19. [PETROLEUM PRODUCTS.] The following petroleum
4 products are exempt:

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

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

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

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

17 (5) products used in a passenger snowmobile, as defined in
18 section 296A.01, subdivision 39, for off-highway business use as
19 part of the operations of a resort as provided under section
20 296A.16, subdivision 2, clause (2); or

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

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

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

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

34 Subd. 40. [MOVIES AND TELEVISION; INPUTS TO PRODUCTION.]
35 The sale of tangible personal property primarily used or
36 consumed directly in the preproduction, production, and

1 postproduction of movies and television shows that are produced
2 for domestic and international commercial distribution are
3 exempt. "Preproduction" and "production" include all the
4 activities related to the preparation of shooting and the
5 shooting of movies and television shows, including film
6 processing. Equipment rented for preproduction and production
7 activities are exempt. "Postproduction" includes all activities
8 related to editing and finishing of the movie or television
9 show. This exemption does not apply to tangible personal
10 property or services used primarily in administration, general
11 management, or marketing. Machinery and equipment purchased for
12 use in producing movies and television shows, fuel, electricity,
13 gas, or steam used for space heating and lighting, food,
14 lodging, and any property or service for the personal use of any
15 individual are not exempt under this subdivision.

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

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

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

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

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

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

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

35 (5) electricity and other fuels used in the provision of
36 the transit service, including heating, cooling, and lighting of

1 system stations.

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

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

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

8 Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION
9 SYSTEM; PRODUCTS AND SERVICES.] Products and services including,
10 but not limited to, end user equipment used for construction,
11 ownership, operation, maintenance, and enhancement of the
12 backbone system of the regionwide public safety radio
13 communication system established under sections 403.21 to
14 403.34, are exempt. For purposes of this subdivision, backbone
15 system is defined in section 403.21, subdivision 9. This
16 subdivision is effective for purchases, sales, storage, use, or
17 consumption ~~occurring before August 17, 2005, in the counties of~~
18 ~~Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and~~
19 Washington for use in the first and second phases of the system,
20 as defined in section 403.21, subdivisions 3, 10, and 11, and
21 that portion of the third phase of the system that is located in
22 the southeast district of the State Patrol and the counties of
23 Benton, Sherburne, Stearns, and Wright.

24 [EFFECTIVE DATE.] This section is effective for sales after
25 June 30, 2007.

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

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

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

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

36 Subd. 33. [COMMUTER RAIL MATERIAL, SUPPLIES, AND

1 EQUIPMENT.] Materials and supplies consumed in, and equipment
 2 incorporated in the construction, equipment, or improvement of a
 3 commuter rail transportation system operated under sections
 4 174.80 and 174.90 are exempt. This exemption includes railroad
 5 cars and engines and related equipment.

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

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

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

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

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

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

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

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

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

35 [EFFECTIVE DATE.] This section is effective for purchases
 36 made on or after March 1, 2004, and on or before December 31,

1 2006. For purchases made on or after March 1, 2004, and before
2 the day following final enactment of this act, for which the
3 sales tax was paid, the commissioner of revenue shall refund the
4 tax. Except as otherwise provided in this paragraph, the
5 provisions of section 297A.75, subdivisions 2, 3, 4, and 5,
6 apply to a refund under this paragraph. The applicant must be
7 the owner of the St. Mary's Duluth Clinic Health System. If the
8 tax was paid by the contractor, subcontractor, or builder, the
9 contractor, subcontractor, or builder must furnish to the owner
10 a statement indicating the cost of the exempt items and the
11 taxes paid on the items.

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

14 Subd. 37. [MUNICIPAL UTILITIES.] Materials and supplies
15 used or consumed in, and equipment incorporated into, the
16 construction, improvement, or expansion of electric generation
17 and related facilities used pursuant to a joint power purchase
18 agreement to meet the biomass energy mandate in section
19 216B.2424 are exempt if the owner or owners of the facilities
20 are a municipal electric utility or utilities or a joint venture
21 of municipal electric utilities. The tax must be imposed and
22 collected as if the rate under section 297A.62, subdivision 1,
23 applied and then refunded under section 297A.75.

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

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

28 Subd. 38. [CHATFIELD WASTEWATER TREATMENT
29 FACILITY.] Materials and supplies used in and equipment
30 incorporated into the construction, improvement, or expansion of
31 a wastewater treatment facility owned by the city of Chatfield
32 are exempt. This exemption is effective for purchases made
33 before December 31, 2007.

34 [EFFECTIVE DATE.] This section is effective for sales and
35 purchases made on or after June 1, 2005.

36 Sec. 19. Minnesota Statutes 2004, section 297A.75,

1 subdivision 1, is amended to read:

2 Subdivision 1. [TAX COLLECTED.] The tax on the gross
3 receipts from the sale of the following exempt items must be
4 imposed and collected as if the sale were taxable and the rate
5 under section 297A.62, subdivision 1, applied. The exempt items
6 include:

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

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

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

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

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

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

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

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

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

26 (10) fuel purchased for commuter rail systems under section
27 297A.68, subdivision 19, clause (7); and

28 (11) materials, supplies, and equipment for municipal
29 electric utility facilities under section 297A.71, subdivision
30 33.

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

34 Sec. 20. Minnesota Statutes 2004, section 297A.75,
35 subdivision 2, is amended to read:

36 Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on

1 forms prescribed by the commissioner, a refund equal to the tax
2 paid on the gross receipts of the exempt items must be paid to
3 the applicant. Only the following persons may apply for the
4 refund:

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

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

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

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

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

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

18 (7) for subdivision 1, clause (10), the applicant must be a
19 municipal electric utility or a joint venture of municipal
20 electric utilities.

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

24 Sec. 21. Minnesota Statutes 2004, section 297A.75,
25 subdivision 3, is amended to read:

26 Subd. 3. [APPLICATION.] (a) The application must include
27 sufficient information to permit the commissioner to verify the
28 tax paid. If the tax was paid by a contractor, subcontractor,
29 or builder, under subdivision 1, clause (4), (5), (6), (7), (8),
30 ~~or~~ (9), or (11), the contractor, subcontractor, or builder must
31 furnish to the refund applicant a statement including the cost
32 of the exempt items and the taxes paid on the items unless
33 otherwise specifically provided by this subdivision. The
34 provisions of sections 289A.40 and 289A.50 apply to refunds
35 under this section.

36 (b) An applicant may not file more than two applications

1 per calendar year for refunds for taxes paid on capital
2 equipment exempt under section 297A.68, subdivision 5.

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

5 Sec. 22. Minnesota Statutes 2004, section 297A.83,
6 subdivision 1, is amended to read:

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

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

14 (c) The commissioner may require any person or class of
15 persons obligated to file a use tax return under section
16 289A.11, subdivision 3, to file an application for a permit,
17 except an individual allowed to file and pay use tax under
18 section 289A.18, subdivision 4a, is not required to obtain a
19 permit.

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

22 Sec. 23. Minnesota Statutes 2004, section 297A.87,
23 subdivision 2, is amended to read:

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

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

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

32 (3) a written statement that this is the only selling event
33 that the person will be participating in for that calendar year,
34 that the person will be participating for three or fewer days,
35 and that the person will make \$500 or less in total sales in the
36 calendar year. The written statement shall include the person's

1 name, address, and telephone number.

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

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

6 Sec. 24. Minnesota Statutes 2004, section 297A.87,
7 subdivision 3, is amended to read:

8 Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER
9 LIMITED CIRCUMSTANCES.] The isolated and occasional
10 sale ~~provisions~~ provision under section 297A.67, subdivision 23,
11 ~~or~~ applies, provided that the seller only participates for three
12 or fewer days in one event per calendar year, makes \$500 or less
13 in sales in the calendar year, and provides the written
14 statement required in subdivision 2, paragraph (a), clause (3).

15 The isolated and occasional sales provision under section
16 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an
17 event under this section.

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

20 Sec. 25. Minnesota Statutes 2004, section 297A.99,
21 subdivision 1, is amended to read:

22 Subdivision 1. [CITIES OF THE FIRST CLASS; AUTHORIZATION;
23 SCOPE.] (a) A ~~political-subdivision-of-this-state~~ city of the
24 first class, as defined in section 410.01, may, by ordinance,
25 impose a general sales tax if-permitted-by-special-law-or-if-the
26 political-subdivision-enacted-and-imposed-the-tax-before-the
27 effective-date-of-section-477A-016-and-its-predecessor-provision
28 at a rate of tax of one-half of one percent, except the city of
29 Duluth may impose a tax at a rate not to exceed one percent. A
30 city of the first class may, by ordinance, extend the time to
31 impose a sales tax that was enacted before July 1, 2004.

32 (b) ~~This-section-governs-the-imposition-of-a-general-sales~~
33 ~~tax-by-the-political-subdivision.--The-provisions-of-this~~
34 ~~section-preempt-the-provisions-of-any-special-law~~

35 ~~{1}-enacted-before-June-27-1997-or~~

36 ~~{2}-enacted-on-or-after-June-27-1997-that-does-not~~

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

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

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

11 Sec. 26. Minnesota Statutes 2004, section 297A.99,
12 subdivision 2, is amended to read:

13 Subd. 2. ~~[LOCAL-RESOLUTION-BEFORE-APPLICATION-FOR CITIES~~
14 ~~OF THE SECOND AND THIRD CLASS; AUTHORITY; SCOPE.] Before-the~~
15 ~~governing-body-of-a-political-subdivision-requests-legislative~~
16 ~~approval-of-a-special-law-for-a-local-sales-tax-that-is~~
17 ~~administered-under-this-section,-it-shall-adopt-a-resolution~~
18 ~~indicating-its-approval-of-the-tax.--The-resolution-must~~
19 ~~include,-at-a-minimum,-information-on-the-proposed-tax-rate,-how~~
20 ~~the-revenues-will-be-used,-the-total-revenue-that-will-be-raised~~
21 ~~before-the-tax-expires,-and-the-estimated-length-of-time-that~~
22 ~~the-tax-will-be-in-effect.--This-subdivision-applies-to-local~~
23 ~~laws-enacted-after-June-30,-1998.~~ (a) Subject to the limitations
24 in paragraphs (b) to (d), a city of the second or third class,
25 as defined in section 410.01, may, by ordinance, impose a
26 general sales tax at a rate of one-half of one percent, and may
27 extend the time to impose a sales tax that was enacted prior to
28 July 1, 2005.

29 (b) The proceeds of a tax imposed or extended under this
30 subdivision must be dedicated exclusively to payment of the cost
31 of a specific capital improvement that provides a benefit to the
32 city and to the county, region, or territory beyond the city
33 boundaries, and must be an improvement in at least one of the
34 following areas:

- 35 (1) regional convention or civic centers;
36 (2) regional airports;

1 (3) public libraries;

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

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

7 (6) flood control or protection.

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

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

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

19 Sec. 27. Minnesota Statutes 2004, section 297A.99,
20 subdivision 3, is amended to read:

21 Subd. 3. [~~REQUIREMENTS-FOR-ADOPTION,--USE,--TERMINATION~~
22 ~~SPECIAL LAW; LOCAL RESOLUTION; REFERENDUM.~~] (a) ~~Imposition-of-a~~
23 ~~local-sales-tax-is-subject-to-approval-by-voters-of-the~~
24 ~~political-subdivision-at-a-general-election~~ A city of the second
25 or third class that proposes to adopt a sales tax to pay for the
26 costs of a project that is not included in subdivision 2, and
27 cities of the fourth class and counties may impose a general
28 sales tax if permitted by special law.

29 ~~The-proceeds-of-the-tax-must-be-dedicated-exclusively~~
30 ~~to-payment-of-the-cost-of-a-specific-capital-improvement-which~~
31 ~~is-designated-at-least-90-days-before-the-referendum-on~~
32 ~~imposition-of-the-tax-is-conducted~~ Before the governing body of
33 a city or county requests legislative approval of a special law
34 for a local sales tax that is administered under this section,
35 it shall adopt a resolution indicating its approval of the tax.
36 The resolution must include, at a minimum, information on the

1 proposed tax rate, how the revenues will be used, the total
2 revenue that will be raised before the tax expires, and the
3 estimated length of time that the tax will be in effect.

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

8 ~~(d) After a sales tax imposed by a political subdivision~~
9 ~~has expired or been terminated, the political subdivision is~~
10 ~~prohibited from imposing a local sales tax for a period of one~~
11 ~~year. Notwithstanding subdivision 13, this paragraph applies to~~
12 ~~all local sales taxes in effect at the time of or imposed after~~
13 ~~May 26, 1999~~ The proceeds of the tax must be dedicated
14 exclusively to payment of the cost of a specific capital
15 improvement which is designated at least 90 days before the
16 referendum on imposition of the tax is conducted.

17 (e) The tax must terminate after the improvement designated
18 under paragraph (d) has been completed.

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

21 Sec. 28. Minnesota Statutes 2004, section 297A.99,
22 subdivision 5, is amended to read:

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

26 (b) The full political subdivision rate applies to any
27 sales that are taxed at a state rate, and the political
28 subdivision must not have more than one local sales tax rate or
29 more than one local use tax rate. This paragraph does not apply
30 to sales or use taxes imposed on electricity, piped natural or
31 artificial gas, or other heating fuels delivered by the seller,
32 or the retail sale or transfer of motor vehicles, aircraft,
33 watercraft, modular homes, manufactured homes, or mobile homes.

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

36 Sec. 29. Minnesota Statutes 2004, section 297A.99,

1 subdivision 12, is amended to read:

2 Subd. 12. [EFFECTIVE DATES; NOTIFICATION.] (a) A political
3 subdivision may impose a tax under this section starting only on
4 the first day of a calendar ~~quarter~~ year. A political
5 subdivision may repeal a tax under this section stopping only on
6 the last day of a calendar quarter.

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

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

14 (d) The political subdivision shall apply the rate change
15 for sales tax imposed under this section to purchases from
16 printed catalogs, wherein the purchaser computed the tax based
17 upon local tax rates published in the catalog, starting only on
18 the first day of a calendar quarter, and only after the
19 commissioner has notified sellers at least 120 days prior to the
20 change.

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

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

28 Sec. 30. Minnesota Statutes 2004, section 297B.03, is
29 amended to read:

30 297B.03 [EXEMPTIONS.]

31 There is specifically exempted from the provisions of this
32 chapter and from computation of the amount of tax imposed by it
33 the following:

34 (1) purchase or use, including use under a lease purchase
35 agreement or installment sales contract made pursuant to section
36 465.71, of any motor vehicle by the United States and its

1 agencies and instrumentalities and by any person described in
2 and subject to the conditions provided in section 297A.67,
3 subdivision 11;

4 (2) purchase or use of any motor vehicle by any person who
5 was a resident of another state or country at the time of the
6 purchase and who subsequently becomes a resident of Minnesota,
7 provided the purchase occurred more than 60 days prior to the
8 date such person began residing in the state of Minnesota and
9 the motor vehicle was registered in the person's name in the
10 other state or country;

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

14 (4) purchase or use of any motor vehicle previously
15 registered in the state of Minnesota when such transfer
16 constitutes a transfer within the meaning of section 118, 331,
17 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or
18 1563(a) of the Internal Revenue Code of 1986, as amended through
19 December 31, 1999;

20 (5) purchase or use of any vehicle owned by a resident of
21 another state and leased to a Minnesota based private or for
22 hire carrier for regular use in the transportation of persons or
23 property in interstate commerce provided the vehicle is titled
24 in the state of the owner or secured party, and that state does
25 not impose a sales tax or sales tax on motor vehicles used in
26 interstate commerce;

27 (6) purchase or use of a motor vehicle by a private
28 nonprofit or public educational institution for use as an
29 instructional aid in automotive training programs operated by
30 the institution. "Automotive training programs" includes motor
31 vehicle body and mechanical repair courses but does not include
32 driver education programs;

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

35 (8) purchase of a motor vehicle by or for a public library,
36 as defined in section 134.001, subdivision 2, as a bookmobile or

1 library delivery vehicle;

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

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

6 (11) purchase or use of a motor vehicle by a corporation,
7 society, association, foundation, or institution organized and
8 operated exclusively for charitable, religious, or educational
9 purposes, except a public school, university, or library, but
10 only if the vehicle is:

11 (i) a truck, as defined in section 168.011, a bus, as
12 defined in section 168.011, or a passenger automobile, as
13 defined in section 168.011, if the automobile is designed and
14 used for carrying more than nine persons including the driver;
15 and

16 (ii) intended to be used primarily to transport tangible
17 personal property or individuals, other than employees, to whom
18 the organization provides service in performing its charitable,
19 religious, or educational purpose;

20 (12) purchase of a motor vehicle for use by a transit
21 provider exclusively to provide transit service is exempt if the
22 transit provider is either (i) receiving financial assistance or
23 reimbursement under section 174.24 or 473.384, or (ii) operating
24 under section 174.29, 473.388, or 473.405;

25 (13) purchase or use of a motor vehicle by a qualified
26 business, as defined in section 469.310, located in a job
27 opportunity building zone, if the motor vehicle is principally
28 garaged in the job opportunity building zone and is primarily
29 used as part of or in direct support of the person's operations
30 carried on in the job opportunity building zone. The exemption
31 under this clause applies to sales, if the purchase was made and
32 delivery received during the duration of the job opportunity
33 building zone. The exemption under this clause also applies to
34 any local sales and use tax;

35 (14) purchase or use after June 30, 2005, and before July
36 1, 2008, of a motor vehicle by a state agency or political

1 subdivision, provided that the motor vehicle has a fuel
2 efficiency greater than 45 miles per gallon in highway use, and
3 greater than 35 miles per gallon in city use, as certified by
4 the United States Environmental Protection Agency.

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

7 Sec. 31. Minnesota Statutes 2004, section 477A.016, is
8 amended to read:

9 477A.016 [NEW TAXES PROHIBITED.]

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

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

14 Sec. 32. Laws 1986, chapter 379, section 1, is amended to
15 read:

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

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

18 Notwithstanding Minnesota Statutes, section 477A.016, or any
19 ordinance, city charter, or other provision of law, the city of
20 St. Cloud may, by ordinance, impose a sales tax supplemental to
21 the general sales tax imposed in Minnesota Statutes, chapter
22 297A, the proceeds of which shall be used in accordance with
23 subdivision 2. The tax imposed by the city may ~~be not more-than~~
24 ~~one~~ exceed two percent on the gross receipts from all retail
25 on-sales of intoxicating liquor and fermented malt beverages
26 sold at licensed on-sale liquor establishments located within
27 its geographic boundaries, or not more than ~~one~~ two percent on
28 the gross receipts from the retail sale of food and beverages
29 not subject to the liquor tax by a restaurant or place of
30 refreshment located within its geographic boundaries, or both.
31 For purposes of this act, the city shall define the terms
32 "restaurant" and "place of refreshment" by resolution. The
33 governing body of the city may adopt an ordinance establishing a
34 convention center taxing district. The ordinance shall describe
35 with particularity the area within the city to be included in
36 the district. If the city establishes a convention center

1 taxing district, the sales taxes authorized under this
2 subdivision may be imposed only upon the sales occurring at
3 on-sale liquor establishments, restaurants, or other places of
4 refreshment located within the district. The city may impose a
5 tax at a rate that is greater than one percent, not to exceed
6 two percent, only after the approval of the voters of the city
7 at the next general election.

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

22 Subd. 3. [EXPIRATION OF TAXING AUTHORITY.] The authority
23 granted by subdivision 1 to the city to impose a liquor and food
24 tax shall expire when the principal and interest on any bonds or
25 other obligations issued to finance construction of a convention
26 center facility ~~or~~ and related facilities, and municipal
27 athletic complex have been paid or at an earlier time as the
28 city shall, by ordinance, determine.

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

32 Sec. 33. Laws 1986, chapter 379, section 2, subdivision 1,
33 is amended to read:

34 Subdivision 1. [ADDITIONAL TAX AUTHORIZED.]
35 Notwithstanding Minnesota Statutes, section 477A.016, or any
36 ordinance, city charter, or other provision of law, the city of

1 St. Cloud may, by ordinance, impose a tax at a rate not to
2 exceed ~~two~~ three percent in addition to the tax authorized under
3 Laws 1979, chapter 197, on the gross receipts from the
4 furnishing for consideration of lodging at a hotel, motel,
5 rooming house, tourist court, or resort other than the renting
6 or leasing of it for a continuous period of 30 days or
7 more. The city may impose a tax at a rate that is greater than
8 two percent, not to exceed three percent, only after the
9 approval of the voters of the city at the next general election.

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

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

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

27 [EFFECTIVE DATE.] This section is effective upon compliance
28 by the city of Mankato with Minnesota Statutes, section 645.021,
29 subdivision 3.

30 Sec. 35. Laws 1991, chapter 291, article 8, section 27,
31 subdivision 5, is amended to read:

32 Subd. 5. [BONDS.] The city of Mankato may issue general
33 obligation bonds of the city in an aggregate amount not to
34 exceed \$25,000,000 for Riverfront 2000 and related facilities,
35 without election under Minnesota Statutes, chapter 475, on the
36 question of issuance of the bonds or a tax to pay them. The

1 debt represented by bonds issued for Riverfront 2000 and related
2 facilities shall not be included in computing any debt
3 limitations applicable to the city of Mankato, and the levy of
4 taxes required by section 475.61 to pay principal of and
5 interest on the bonds shall not be subject to any levy
6 limitation or be included in computing or applying any levy
7 limitation applicable to the city.

8 [EFFECTIVE DATE.] This section is effective upon compliance
9 by the city of Mankato with Minnesota Statutes, section 645.021,
10 subdivision 3.

11 Sec. 36. Laws 1996, chapter 471, article 2, section 29, is
12 amended to read:

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

14 Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a)
15 Notwithstanding Minnesota Statutes, section 477A.016, or any
16 other contrary provision of law, ordinance, or city charter, the
17 city of Hermantown may, by ordinance, impose an additional sales
18 and use tax of up to one percent on sales ~~transactions~~, storage,
19 and use taxable pursuant to Minnesota Statutes, chapter 297A,
20 that occur within the city.

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

- 24 (1) extending a sewer interceptor line;
25 (2) construction of a booster pump station, reservoirs, and
26 related improvements to the water system; and
27 (3) construction of a police and fire station.

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

- 33 (1) construction of a city hall to be connected to the
34 existing public safety facility;
35 (2) construction of a new facility or purchase of an
36 existing facility to be used as a public works facility;

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

4 (4) extension of a sewer interceptor line.

5 (d) Authorized expenses include, but are not limited to,
6 acquiring property; paying construction, administrative, and
7 operating expenses related to the development of the projects
8 listed in paragraph (c); paying debt service on bonds or other
9 obligations, including lease obligations, issued to finance
10 construction, expansion, or improvement of the projects listed
11 in paragraph (c); and other compatible uses, including but not
12 limited to, parking, lighting, and landscaping.

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

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

20 (c) The question of imposing or increasing the tax must be
21 submitted to the voters at a special or general election. The
22 tax may not be imposed unless a majority of votes cast on the
23 question of imposing the tax are in the affirmative. The
24 commissioner of revenue shall prepare a suggested form of
25 question to be presented at the election. This subdivision
26 applies notwithstanding any city charter provision to the
27 contrary.

28 Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF
29 TAXES.] A sales tax imposed under this section must be reported
30 and paid to the commissioner of revenue with the state sales
31 taxes, and be subject to the same penalties, interest, and
32 enforcement provisions. The proceeds of the tax, less refunds
33 and a proportionate share of the cost of collection, shall be
34 remitted at least quarterly to the city. The commissioner shall
35 deduct from the proceeds remitted an amount that equals the
36 indirect statewide cost as well as the direct and indirect

1 department costs necessary to administer, audit, and collect the
2 tax. The amount deducted shall be deposited in the state
3 general fund.

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

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

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

17 Subd. 4. [TERMINATION.] The portion of the tax authorized
18 under this section to finance the improvements described in
19 subdivision 1, paragraph (b), terminates at the later of (1) ten
20 years after the date of initial imposition of the tax, or (2) on
21 the first day of the second month next succeeding a
22 determination by the city council that sufficient funds have
23 been received from that portion of the tax dedicated to finance
24 the those improvements described in subdivision 1, clauses (1)
25 to (3), and to prepay or retire at maturity the principal,
26 interest, and premium due on any bonds issued for the
27 improvements. The portion of the tax authorized to finance the
28 improvements described in subdivision 1, paragraph (c),
29 terminates when the revenues raised are sufficient to finance
30 those improvements, up to an amount equal to \$13,000,000 plus
31 any interest, premium, and other costs associated with the bonds
32 issued under subdivision 3a. The city council may terminate
33 this portion of the tax earlier. Any funds remaining after
34 completion of the improvements and retirement or redemption of
35 the bonds may be placed in the general fund of the city.

36 Subd. 5. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is

1 ~~effective-the-day-after-final-enactment, upon compliance with~~
2 ~~Minnesota Statutes, section 645.021, subdivision 3, by the city~~
3 ~~of Hermantown.~~

4 [EFFECTIVE DATE.] This section is effective the day after
5 the governing body of the city of Hermantown and its chief
6 clerical officer comply with Minnesota Statutes, section
7 645.021, subdivisions 2 and 3.

8 Sec. 37. Laws 1998, chapter 389, article 8, section 43,
9 subdivision 3, is amended to read:

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

14 (1) transportation infrastructure improvements including
15 ~~both~~ regional highway and airport improvements;

16 (2) improvements to the civic center complex;

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

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

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

26 ~~\$71,500,000~~ \$111,500,000. The total amount of capital

27 expenditures or bonds for the project in clause (4) that may be
28 paid from the revenues raised from the taxes authorized in this
29 section may not exceed ~~\$20,000,000~~ \$28,000,000.

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

32 Sec. 38. Laws 1998, chapter 389, article 8, section 43,
33 subdivision 4, is amended to read:

34 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
35 under Minnesota Statutes, chapter 475, to finance the capital
36 expenditure and improvement projects. An election to approve

1 the bonds under Minnesota Statutes, section 475.58, may be held
2 in combination with the election to authorize imposition of the
3 tax under subdivision 1. Whether to permit imposition of the
4 tax and issuance of bonds may be posed to the voters as a single
5 question. The question must state that the sales tax revenues
6 are pledged to pay the bonds, but that the bonds are general
7 obligations and will be guaranteed by the city's property taxes.

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

10 (c) The bonds are not included in computing any debt
11 limitation applicable to the city, and the levy of taxes under
12 Minnesota Statutes, section 475.61, to pay principal of and
13 interest on the bonds is not subject to any levy limitation.
14 The aggregate principal amount of bonds, plus the aggregate of
15 the taxes used directly to pay eligible capital expenditures and
16 improvements may not exceed ~~\$71,500,000~~ \$111,500,000, plus an
17 amount equal to the costs related to issuance of the bonds.

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

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 39. Laws 1999, chapter 243, article 4, section 18,
24 subdivision 1, is amended to read:

25 Subdivision 1. [SALES AND USE TAX.] (a) Notwithstanding
26 Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016,
27 or any other provision of law, ordinance, or city charter, if
28 approved by the city voters at the first municipal general
29 election held after the date of final enactment of this act or
30 at a special election held November 2, 1999, the city of Proctor
31 may impose by ordinance a sales and use tax of up to one-half of
32 one percent for the purposes specified in subdivision 3,
33 paragraph (a). The provisions of Minnesota Statutes,
34 section ~~297A.48~~ 297A.99, govern the imposition, administration,
35 collection, and enforcement of the tax authorized under this
36 subdivision.

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

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

10 Sec. 40. Laws 1999, chapter 243, article 4, section 18,
11 subdivision 3, is amended to read:

12 Subd. 3. [USE OF REVENUES.] (a) Revenues received from
13 taxes authorized by subdivisions 1, paragraph (a), and 2 must be
14 used by the city to pay the cost of collecting the taxes and to
15 pay for construction and improvement of the following city
16 facilities:

17 (1) streets; and

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

20 Authorized expenses include, but are not limited to,
21 acquiring property, paying construction and operating expenses
22 related to the development of an authorized facility, and paying
23 debt service on bonds or other obligations, including lease
24 obligations, issued to finance the construction, expansion, or
25 improvement of an authorized facility. The capital expenses for
26 all projects authorized under this paragraph that may be paid
27 with these taxes is limited to \$3,600,000, plus an amount equal
28 to the costs related to issuance of the bonds.

29 (b) Revenues received from taxes authorized by subdivision
30 1, paragraph (b), must be used by the city to pay the cost of
31 collecting the taxes and for construction and improvements of
32 city streets, public utilities, sidewalks, bikeways, and trails.

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

36 Sec. 41. Laws 1999, chapter 243, article 4, section 18,

1 subdivision 4, is amended to read:

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

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

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

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

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

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

29 Sec. 42. Laws 2001, First Special Session chapter 5,
30 article 12, section 67, the effective date, is amended to read:

31 [EFFECTIVE DATE.] This section is effective for purchases
32 and sales made after June 30, 2001, and before ~~January 17, 2003~~
33 July 1, 2007.

34 [EFFECTIVE DATE.] This section is effective the day
35 following final enactment.

36 Sec. 43. Laws 2001, First Special Session chapter 5,

1 article 12, section 82, the effective date, as amended by Laws
2 2002, chapter 377, article 3, section 23, is amended to read:

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

9 Sec. 44. Laws 2001, First Special Session chapter 5,
10 article 12, section 95, is amended to read:

11 Sec. 95. [REPEALER.]

12 (a) Minnesota Statutes 2000, sections 297A.61, subdivision
13 16; 297A.68, subdivision 21; and 297A.71, subdivisions 2 and 16,
14 are repealed effective for sales and purchases occurring after
15 June 30, 2001, except that the repeal of section 297A.61,
16 subdivision 16, paragraph (d), is effective for sales and
17 purchases occurring after July 31, 2001.

18 ~~(b) Minnesota Statutes 2000, sections 297A.62, subdivision~~
19 ~~2, and 297A.64, subdivision 1, are repealed effective for sales~~
20 ~~and purchases made after December 31, 2005.~~

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

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

27 [EFFECTIVE DATE.] This section is effective the day
28 following final enactment.

29 Sec. 45. Laws 2002, chapter 377, article 3, section 4, the
30 effective date, is amended to read:

31 ~~[EFFECTIVE DATE.] With the exception of clause (2), item~~
32 ~~(ii), This section is effective for sales and purchases made~~
33 ~~after June 30, 2002. Clause (2), item (ii), is effective for~~
34 ~~sales and purchases made after June 30, 2002, and before January~~
35 ~~1, 2006.~~

36 Sec. 46. Laws 2002, chapter 377, article 12, section 16,

1 subdivision 1, is amended to read:

2 Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.]

3 The city of Thief River Falls may incorporate or authorize the
4 incorporation of a nonprofit corporation to operate a community
5 or regional center in the city. A nonprofit corporation
6 incorporated under this section is exempt from payment of sales
7 and use tax on materials, equipment, and supplies consumed or
8 incorporated into the construction of the community or regional
9 center. The exemption under this section applies to purchases
10 by the nonprofit corporation, a contractor, subcontractor, or
11 builder. A contractor, subcontractor, or builder that does not
12 pay sales tax on purchases for construction of the community or
13 regional center shall not charge sales or use tax to the
14 nonprofit corporation. The nonprofit corporation may file a
15 claim for refund for any sales taxes paid on the construction
16 costs of the community or regional center, and the commissioner
17 of revenue shall pay the refunded amount directly to the
18 nonprofit corporation.

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

21 Sec. 47. [CITY OF ALBERT LEA; SALES AND USE TAX.]

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

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

35 Subd. 3. [REFERENDUM.] If the Albert Lea City Council
36 proposes to impose the tax authorized by this section, the

1 question of imposing the tax must be submitted to the voters at
2 the next general election.

3 Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under
4 this section expire at the earlier of (1) ten years after the
5 taxes are first imposed, or (2) when the city council first
6 determines that the amount of revenues raised to pay for the
7 projects under subdivision 2, shall meet or exceed the sum of
8 \$15,000,000. Any funds remaining after completion of the
9 projects may be placed in the general fund of the city.

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

13 Sec. 48. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]

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

24 Subd. 2. [USE OF REVENUES.] The revenues received from
25 taxes authorized by subdivision 1 must be used to pay the bonded
26 indebtedness on the city community building and to provide
27 funding for recreational facilities, the upgrading of the water
28 and sewer system, upgrading and replacement of fire equipment,
29 and improvement of streets.

30 Subd. 3. [TERMINATION OF TAXES.] The authority granted
31 under subdivision 1 to the city of Beaver Bay to impose sales
32 and use taxes expires when the city council determines that the
33 amount of revenue received to pay the costs of the projects
34 described in subdivision 2 shall meet or exceed \$1,500,000. Any
35 funds remaining after completion of the projects may be placed
36 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 the governing body of the city of Beaver Bay and its chief
5 clerical officer timely comply with Minnesota Statutes, section
6 645.021, subdivisions 2 and 3.

7 Sec. 49. [CITY OF BEMIDJI.]

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

9 Notwithstanding Minnesota Statutes, section 477A.016, or any
10 other provision of law, ordinance, or city charter, pursuant to
11 the approval of the city voters at the general election held on
12 November 5, 2002, the city of Bemidji may impose by ordinance a
13 sales and use tax of one-half of one percent for the purposes
14 specified in subdivision 2. The provisions of Minnesota
15 Statutes, section 297A.99, govern the imposition,
16 administration, collection, and enforcement of the tax
17 authorized under this subdivision.

18 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
19 authorized by subdivision 1 must be used for the cost of
20 collecting and administering the tax and to pay all or part of
21 the capital or administrative costs of the acquisition,
22 construction, and improvement of parks and trails within the
23 city, as provided for in the city of Bemidji's parks, open
24 space, and trail system plan, adopted by the Bemidji City
25 Council on November 21, 2001. Authorized expenses include, but
26 are not limited to, acquiring property, paying construction
27 expenses related to the development of these facilities and
28 improvements, and securing and paying debt service on bonds or
29 other obligations issued to finance acquisition, construction,
30 improvement, or development of parks and trails within the city
31 of Bemidji.

32 Subd. 3. [BONDS.] Pursuant to the approval of the city
33 voters at the general election held on November 5, 2002, the
34 city of Bemidji may issue, without an additional election,
35 general obligation bonds of the city in an amount not to exceed
36 \$9,826,000 to pay capital and administrative expenses for the

1 acquisition, construction, improvement, and development of parks
2 and trails as specified in subdivision 2. The debt represented
3 by the bonds must not be included in computing any debt
4 limitations applicable to the city, and the levy of taxes
5 required by Minnesota Statutes, section 475.61, to pay the
6 principal of any interest on the bonds must not be subject to
7 any levy limitations or be included in computing or applying any
8 levy limitation applicable to the city.

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

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

25 Sec. 50. [CITY OF CLOQUET; TAXES AUTHORIZED.]

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

35 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
36 Minnesota Statutes, section 477A.016, or any other provision of

1 law, ordinance, or city charter, the city of Cloquet may impose
2 by ordinance, for the purposes specified in subdivision 3, an
3 excise tax of up to \$20 per motor vehicle, as defined by
4 ordinance, purchased or acquired from any person engaged within
5 the city in the business of selling motor vehicles at retail.

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

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

12 (2) extension of water and sewer lines and other
13 improvements to city infrastructure necessary for construction
14 of a city industrial park; and

15 (3) costs associated with the closure of the Cloquet
16 Municipal Landfill.

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

22 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
23 under Minnesota Statutes, chapter 475, to pay capital and
24 administrative expenses for the improvements described in
25 subdivision 3 in an amount that does not exceed \$7,000,000. An
26 election to approve the bonds under Minnesota Statutes, section
27 475.58, is not required.

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

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

35 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
36 subdivisions 1 and 2 expire at the earlier of (1) 14 years, or

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

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

15 Sec. 51. [CITY OF CLEARWATER.]

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

17 Notwithstanding Minnesota Statutes, section 477A.016, or any
18 other provision of law, ordinance, or city charter, pursuant to
19 the approval of the city voters at the next general election or
20 at a special election held for this purpose, the city of
21 Clearwater may impose by ordinance a sales and use tax of
22 one-half of one percent for the purposes specified in
23 subdivision 2. The provisions of Minnesota Statutes, section
24 297A.99, govern the imposition, administration, collection, and
25 enforcement of the tax authorized under this subdivision.

26 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
27 authorized by subdivision 1 must be used for the cost of
28 collecting and administering the tax and to pay all or part of
29 the capital or administrative costs of the development,
30 acquisition, construction, and improvement of parks, trails,
31 parkland, open space, and land and buildings for a regional
32 community and recreation center. Authorized expenses include,
33 but are not limited to, acquiring property, paying construction
34 expenses related to the development of these facilities and
35 improvements, and securing and paying debt service on bonds or
36 other obligations issued to finance acquisition, construction,

1 improvement, or development.

2 Subd. 3. [BONDS.] Pursuant to the approval of the city
3 voters to impose the tax authorized in subdivision 1, the city
4 of Clearwater may issue without an additional election general
5 obligation bonds of the city in an amount not to exceed
6 \$3,000,000 to pay capital and administrative expenses for the
7 acquisition, construction, improvement, and development of the
8 projects specified in subdivision 2. The debt represented by
9 the bonds must not be included in computing any debt limitations
10 applicable to the city, and the levy of taxes required by
11 Minnesota Statutes, section 475.61, to pay the principal or any
12 interest on the bonds must not be subject to any levy
13 limitations or be included in computing or applying any levy
14 limitation applicable to the city.

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

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

31 Sec. 52. [CITY OF MEDFORD; SALES AND USE TAX.]

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

1 subdivision 2. Except as otherwise specifically provided, the
2 provisions of Minnesota Statutes, section 297A.99, govern the
3 imposition, administration, collection, and enforcement of the
4 tax authorized under this subdivision.

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

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

19 Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds
20 under Minnesota Statutes, chapter 475, to finance the capital
21 expenditure and improvement projects authorized under
22 subdivision 2. The total amount of bonds issued for the
23 projects listed in subdivision 2 may not exceed \$5,000,000 in
24 aggregate. An election to approve the bonds, as required under
25 Minnesota Statutes, section 475.58, is not required.

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

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

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

36 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under

1 this section expire at the earlier of (1) 20 years after the
2 taxes are first imposed, or (2) when the city council first
3 determines that the amount of revenues raised to pay for the
4 projects under subdivision 2 shall meet or exceed the sum of
5 \$5,000,000, plus an amount equal to the costs related to the
6 issuance of bonds under subdivision 4. Any funds remaining
7 after completion of the projects and retirement or redemption of
8 the bonds may be placed in the general funds of the city.

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

12 Sec. 53. [CITY OF PARK RAPIDS.]

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

14 Notwithstanding Minnesota Statutes, section 477A.016, or any
15 other provision of law, ordinance, or city charter, pursuant to
16 the approval of the city voters at the next general election or
17 at a special election held for this purpose, the city of Park
18 Rapids may impose by ordinance a sales and use tax of one
19 percent for the purposes specified in subdivision 2. The
20 provisions of Minnesota Statutes, section 297A.99, govern the
21 imposition, administration, collection, and enforcement of the
22 tax authorized under this subdivision.

23 Subd. 2. [USE OF REVENUES.] Revenues received from the tax
24 authorized by subdivision 1 must be used for the cost of
25 collecting and administering the tax and to pay all or part of
26 the capital or administrative costs of the development,
27 acquisition, construction, and improvement of the following
28 projects:

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

35 (2) capital improvement projects including, but not limited
36 to, installation of water, sewer, storm sewer, street

1 improvements, new city water tower and well, costs related to
2 improvements to marked trunk highway 34; and
3 (3) park improvements.

4 Authorized expenses include, but are not limited to,
5 acquiring property, paying construction expenses related to the
6 development of these facilities and improvements, and securing
7 and paying debt service on bonds or other obligations issued to
8 finance acquisition, construction, improvement, or development.

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

21 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
22 subdivision 1 expires the earlier of July 1, 2023, or when the
23 city council determines that sufficient revenues have been
24 received to retire the bonds in subdivision 3. Any funds
25 remaining after completion of the projects specified in
26 subdivision 2 and retirement or redemption of the bonds may be
27 placed in the general fund of the city. The tax imposed under
28 subdivision 1 may expire at an earlier time if the city so
29 determines by ordinance.

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

33 Sec. 54. [CITY OF PROCTOR; LODGING TAX.]

34 The city of Proctor may use up to ten percent of the
35 revenues received from the lodging tax imposed by the city under
36 Minnesota Statutes, section 469.190, for preservation of the

1 Caboose and the Baldwin Locomotive, Class M3 Mallet, Number 225,
2 donated to the city by the Duluth, Missabe and Iron Range
3 Railway Company, and the F-101F aircraft, serial number 59-0407,
4 donated to the city by the Department of the Air Force.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 55. [ST. CLOUD AREA CITIES; SALES AND USE TAX
8 AUTHORIZED.]

9 Subdivision 1. [SALES AND USE TAX
10 AUTHORIZED.] Notwithstanding Minnesota Statutes, sections
11 297A.99, subdivision 3, paragraph (d), and 477A.016, or any
12 other provision of law, ordinance, or city charter, each of the
13 cities of St. Cloud, Sartell, Sauk Rapids, St. Augusta, St.
14 Joseph, and Waite Park may impose by ordinance a sales and use
15 tax at the rate of one-half of one percent for the purposes
16 specified in subdivision 2, pursuant to the approval of the
17 voters of that city at the next general election. The
18 provisions of Minnesota Statutes, section 297A.99, except
19 subdivision 3, paragraph (d), govern the imposition,
20 administration, collection, and enforcement of the tax
21 authorized under this subdivision.

22 Subd. 2. [USE OF REVENUES.] (a) Revenues received from the
23 tax authorized by subdivision 1 must be used for the cost of
24 collecting and administering the tax and to pay all or part of
25 the capital or administrative costs of the development,
26 acquisition, construction, improvement, and securing and paying
27 debt service on bonds or other obligations issued to finance the
28 following regional projects:

- 29 (1) St. Cloud Regional Airport;
30 (2) major transportation improvements;
31 (3) arts, libraries, and community centers;
32 (4) acquisition and improvement of park land and open
33 space; and
34 (5) St. Cloud Civic Center remodeling and expansion, not to
35 exceed \$20,000,000 from the amount allocated to St. Cloud under
36 subdivision 3, clause (2).

1 (b) The revenues returned to each city under subdivision 3
2 may only be used to fund projects that have been approved by
3 voters at the referendum authorizing this tax.

4 Subd. 3. [ALLOCATION OF SALES AND USE TAX REVENUES TO
5 CITIES.] Revenues collected from the taxes authorized by
6 subdivision 1, after paying the cost of collecting and
7 administering the tax, shall be allocated to cities imposing the
8 tax as follows:

9 (1) the first \$900,000 of revenues collected annually,
10 indexed annually to the Consumer Price Index, to the city of St.
11 Cloud for expansion of the St. Cloud Civic Center or the
12 construction and relocation of the Great River Regional Library;
13 and

14 (2) the revenues collected from the taxes imposed under
15 subdivision 1 that exceed the amount needed to meet the
16 obligations under clause (1) in any year shall be returned to
17 the cities pursuant to a joint powers agreement allocating sales
18 tax revenues among the cities.

19 Subd. 4. [ST. CLOUD BONDING AUTHORIZED.] Pursuant to the
20 approval of the city voters to impose the tax authorized in
21 subdivision 1, the city of St. Cloud may issue without an
22 additional election, general obligation bonds of the city not to
23 exceed \$80,000,000 to pay the costs of the projects specified in
24 subdivision 2. The debt represented by the bonds must not be
25 included in computing any debt limitations applicable to the
26 city, and the levy of taxes required by Minnesota Statutes,
27 section 475.61, to pay the principal or any interest on the
28 bonds must not be subject to any levy limitations or be included
29 in computing or applying any levy limitation applicable to the
30 city.

31 Subd. 5. [TERMINATION OF TAX.] The tax imposed in the city
32 of St. Cloud under subdivision 1 expires when the city council
33 determines that sufficient funds have been collected from the
34 tax to retire or redeem the bonds authorized under subdivision
35 3. The taxes imposed in the cities of Sartell, Sauk Rapids, St.
36 Augusta, St. Joseph, and Waite Park expire when the projects

1 authorized under subdivision 2 have been completed, but no later
2 than 20 years after the date the tax is first imposed. Any
3 funds remaining after completion of the projects specified in
4 subdivision 2 and retirement or redemption of the bonds may be
5 placed in the general fund of the city. The tax imposed under
6 subdivision 1 may expire at an earlier time if the city so
7 determines by ordinance.

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

12 Sec. 56. [SALES AND USE TAX COMPLIANCE GAP.]

13 The commissioner must reduce the amount of the compliance
14 gap in the payment of sales and use tax by 25 percent before
15 December 31, 2007; and must reduce the compliance gap in the
16 payment of sales and use tax by an additional 25 percent before
17 December 31, 2009. The commissioner must establish an effective
18 method to allow individuals who purchase taxable products or
19 services and have not paid the tax at the time of the purchase
20 to pay the tax. The commissioner must advise residents of this
21 state how to pay sales and use tax.

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

24 Sec. 57. [WAITE PARK; LOCAL SALES TAX AUTHORIZED.]

25 Notwithstanding Minnesota Statutes, section 477A.016, or
26 any other provision of law, ordinance, or charter, the city of
27 Waite Park may impose a sales and use tax of one-half of one
28 percent pursuant to approval of the city voters at an election
29 held in November 2003.

30 Revenues from the tax imposed under this section must be
31 used for the purposes listed in Laws 2002, chapter 377, article
32 11, section 2, subdivision 2, and approved by the voters in the
33 November 2003 referendum. The amount of revenues collected from
34 this tax which may be spent for airport costs under Laws 2002,
35 chapter 377, article 11, section 2, subdivision 2, paragraph
36 (a), is limited to \$25,000 for each quarter in which the tax is

1 imposed with the remainder returned to the city to be spent on
2 the other allowed uses.

3 The tax under this section shall be imposed beginning July
4 1, 2005, and shall expire at the same time as the taxes imposed
5 under Laws 2002, chapter 377, article 11, section 2.

6 [EFFECTIVE DATE.] This section is effective the day
7 following final enactment, upon compliance of the governing body
8 of the city of Waite Park with Minnesota Statutes, section
9 645.021, subdivision 3.

10 Sec. 58. [CITY OF WASECA; SALES AND USE TAX.]

11 Subdivision 1. [SALES AND USE TAX
12 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
13 477A.016, or any other provision of law, ordinance, or city
14 charter, the city of Waseca may, by ordinance, impose a sales
15 and use tax of one-half of one percent for the purposes
16 specified in subdivision 2. The provisions of Minnesota
17 Statutes, section 297A.99, govern the imposition,
18 administration, collection, and enforcement of the tax
19 authorized under this subdivision.

20 Subd. 2. [USE OF REVENUES.] The proceeds of the tax
21 imposed under this section must be used to pay for up to
22 \$1,820,000 in costs related to one or more of the following
23 capital projects as described in the referendum in subdivision 3:

24 (1) water quality and lake improvements;
25 (2) community center improvements;
26 (3) an industrial incubator; and
27 (4) downtown improvements, including a theatre and blighted
28 property acquisition.

29 Subd. 3. [REFERENDUM.] If the Waseca city council proposes
30 to impose the tax authorized by this section, the question of
31 imposing the tax must be submitted to the voters at the next
32 general election. The tax may not be imposed unless the
33 majority of votes cast on the question of imposing the tax are
34 in the affirmative. The specific projects to be funded by the
35 tax must be identified at least 90 days before the referendum is
36 held and included in the question presented at the election.

1 The question must state that the sales tax revenues would be
2 pledged to pay any bonds issued under subdivision 4 and that
3 these bonds are guaranteed by the city's property taxes.

4 Subd. 4. [BONDING AUTHORITY.] The city may issue bonds
5 under Minnesota Statutes, chapter 475, to finance the capital
6 expenditure and improvement projects authorized under
7 subdivision 2 and approved under subdivision 3. The total
8 amount of bonds issued for the projects approved in subdivision
9 3 may not exceed \$1,820,000 in aggregate. An election to
10 approve the bonds, as required under Minnesota Statutes, section
11 475.58, is not required.

12 Subd. 5. [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 is sufficient to
16 finance the capital projects approved under subdivision 3 and to
17 prepay or retire at maturity the principal, interest, and
18 premium due on any bonds issued under subdivision 4. Any funds
19 remaining after completion of the projects may be placed in the
20 general funds of the city.

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

24 Sec. 59. [CITY OF WILLMAR.]

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 general election held on
29 November 2, 2004, the city of Willmar may impose by ordinance a
30 sales and use tax of one-half of one percent for the purposes
31 specified in subdivision 2. The provisions of Minnesota
32 Statutes, section 297A.99, govern the imposition,
33 administration, collection, and enforcement of the tax
34 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 the following
4 projects:

5 (1) completion and expansion of the airport/industrial
6 park;

7 (2) hiking and biking trails;

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

9 and

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

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

18 Subd. 3. [BONDS.] The city of Willmar may issue without an
19 additional election general obligation bonds of the city in an
20 amount not to exceed \$8,000,000 to pay capital and
21 administrative expenses for the acquisition, construction,
22 improvement, and development of the projects listed in
23 subdivision 2. The debt represented by the bonds must not be
24 included in computing any debt limitations applicable to the
25 city, and the levy of taxes required by Minnesota Statutes,
26 section 475.61, to pay the principal or any interest on the
27 bonds, and must not be subject to any levy limitations or be
28 included in computing or applying any levy limitation applicable
29 to the city.

30 Subd. 4. [TERMINATION OF TAX.] The tax imposed under
31 subdivision 1 expires at the later of (1) seven years after the
32 date the tax is first imposed, or (2) when the Willmar City
33 Council determines that the amount described in subdivision 3
34 has been received from the tax to finance the capital and
35 administrative costs, and to repay or retire at maturity the
36 principal, interest, and premium due on any bonds issued under

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

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

9 Sec. 60. [CITY OF WINONA.]

10 Subdivision 1. [SALES AND USE TAX
11 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
12 477A.016, or any other provision of law, ordinance, or city
13 charter, if approved by the voters pursuant to Minnesota
14 Statutes, section 297A.99, the city of Winona may impose by
15 ordinance a sales and use tax of one-half of one percent for the
16 purposes specified in subdivision 3. The provisions of
17 Minnesota Statutes, section 297A.99, govern the imposition,
18 administration, collection, and enforcement of the tax
19 authorized under this subdivision.

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

27 Subd. 3. [USE OF REVENUES.] Revenues received from the
28 taxes authorized by subdivisions 1 and 2 must be dedicated to
29 pay all or part of the capital or administrative costs of
30 transportation projects or transportation improvements located
31 within the city, and to pay the cost of collecting and
32 administering the tax. Authorized expenses include, but are not
33 limited to, acquiring property and paying construction and
34 engineering expenses related to the improvements.

35 Subd. 4. [TERMINATION OF TAX.] The taxes imposed under
36 subdivisions 1 and 2 expire when the Winona City Council

1 determines that sufficient funds have been received from the tax
2 to pay the costs of the transportation projects or improvements
3 to which the tax was dedicated or ten years after imposition of
4 the tax, whichever is earlier. Any funds remaining after
5 completion of the transportation project or transportation
6 improvements may be placed in a capital project fund of the city.
7 The tax imposed under subdivisions 1 and 2 may expire at an
8 earlier time if the city so determines by ordinance.

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

12 Sec. 61. [USE TAX ENFORCEMENT.]

13 The commissioner shall establish a use tax enforcement unit
14 within the Department of Revenue to conduct direct compliance
15 activities that will increase payment of use tax. The
16 commissioner shall inform and educate taxpayers about the
17 requirement to pay use tax. The commissioner shall also conduct
18 an information campaign targeted to higher income individuals,
19 attorneys, accountants, and tax preparers to advise individuals
20 and tax professionals of the obligation to report and pay use
21 tax.

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

23 Sec. 62. [REPEALER.]

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

26 ARTICLE 4

27 PROPERTY TAXES

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

30 Subd. 16. [BUDGET.] The district board shall annually
31 present a budget consisting of an itemized statement of district
32 expenses for the ensuing calendar year to the boards of county
33 commissioners of the counties in which the district is located.
34 The county boards may levy an annual tax on all taxable real
35 property in the district or annually authorize district levies,
36 as provided in section 103C.332, for the amount that the boards

1 determine is necessary to meet the requirements of the
 2 district. The amount levied shall be collected and distributed
 3 to the district as prescribed by chapter 276. The amount may be
 4 spent by the district board for a district purpose authorized by
 5 law.

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

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

9 (1) an ad valorem tax levy, authorized by a county board
 10 under section 103C.331, subdivision 16, that may not exceed
 11 0.048 percent of taxable market value, or \$750,000, whichever is
 12 less; and

13 (2) revenue received from the county for administration of
 14 the district under section 103C.331, subdivision 16.

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

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

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

26 (2) revenue received from the county under section
 27 103C.331, subdivision 16, for the implementation of projects of
 28 the district or to match grants.

29 Subd. 3. [BUDGET HEARING.] (a) Before adopting a budget
 30 when levies are authorized by the county board under section
 31 103C.331, subdivision 16, the supervisors shall hold a public
 32 hearing on the proposed budget.

33 (b) The supervisors shall publish a notice of the hearing
 34 with a summary of the proposed budget in one or more newspapers
 35 of general circulation in each county consisting of part of the
 36 district. The notice and summary shall be published once each

1 week for two successive weeks before the hearing. The last
2 publication shall be at least two days before the hearing.

3 Subd. 4. [BUDGET ADOPTION.] On or before September 1 of
4 each year, the supervisors shall adopt a budget for the next
5 year and decide on the total amount necessary to be raised from
6 ad valorem tax levies to meet the district's budget.

7 Subd. 5. [CERTIFICATION TO AUDITOR.] After adoption of the
8 budget and no later than September 1, the district shall certify
9 to the auditor of each county within the district, the county's
10 share of an authorized tax, which shall be an amount bearing the
11 same proportion to the total levy as the net tax capacity of the
12 area of the county within the district bears to the net tax
13 capacity of the entire district. The maximum amount of a levy
14 may not exceed the amount provided in subdivisions 1 and 2.

15 Subd. 6. [LEVY.] The auditor of each county in the
16 district shall add the amount of an authorized levy made by the
17 supervisors to the other tax levies on the property of the
18 county within the district for collection by the county
19 treasurer with other taxes. The county treasurer shall make
20 settlement of the taxes collected with the treasurer of the
21 district in the same manner as other taxes are distributed to
22 the other political subdivisions. The levy authorized by this
23 section is in addition to other county taxes authorized by law.

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

26 Subd. 1a. [DEBT SERVICE LEVIES; CHOICE OF TAX BASE.] A
27 school board may by resolution elect to levy the debt service
28 for a bond issued after July 1, 2005, against the referendum
29 market value of the district, as defined under section 126C.01,
30 subdivision 3, rather than the net tax capacity of the district,
31 except that for purposes of this subdivision, noncommercial 4c(1)
32 property under section 273.13 is valued at its market value. A
33 resolution to levy against referendum market value must be
34 passed at an open meeting of the board, at least 60 days prior
35 to the referendum election.

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

1 following final enactment.

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

4 Subd. 4. [DEBT SERVICE EQUALIZATION REVENUE.] (a) The debt
5 service equalization revenue of a district equals the sum of the
6 first tier debt service equalization revenue and the second tier
7 debt service equalization revenue.

8 (b) The first tier debt service equalization revenue of a
9 district equals the greater of zero or the eligible debt service
10 revenue minus the amount raised by a levy of 15 percent times
11 the adjusted net tax capacity of the district minus the second
12 tier debt service equalization revenue of the district.

13 (c) The second tier debt service equalization revenue of a
14 district equals the greater of zero or the eligible debt service
15 revenue, excluding alternative facilities levies under section
16 123B.59, subdivision 5, minus the amount raised by a levy of 25
17 percent times the adjusted net tax capacity of the district.

18 (d) Debt service equalization revenue is determined as
19 provided under this subdivision regardless of whether the debt
20 service is being levied against net tax capacity or referendum
21 market value.

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

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

25 123B.55 [DEBT SERVICE LEVY.]

26 Subdivision 1. [LEVY AMOUNT.] A district may levy the
27 amounts necessary to make payments for bonds issued and for
28 interest on them, including the bonds and interest on them,
29 issued as authorized by Minnesota Statutes 1974, section
30 275.125, subdivision 3, clause (7)(C); and the amounts necessary
31 for repayment of debt service loans and capital loans, minus the
32 amount of debt service equalization revenue of the district.

33 Subd. 2. [AID APPORTIONMENT.] A district's debt service
34 equalization aid shall be apportioned between the net tax
35 capacity debt service levy and the referendum market value debt
36 service levy in the same proportions as eligible debt service

1 revenues resulting from bonds issued against net tax capacity
2 are to eligible debt service revenues resulting from bonds
3 issued against referendum market value.

4 Subd. 3. [NET TAX CAPACITY DEBT SERVICE LEVY.] The levy
5 amount determined under subdivision 1, plus the eligible debt
6 service revenues resulting from bonds issued against net tax
7 capacity, minus the debt service equalization aid apportioned to
8 the net tax capacity debt service levy, must be levied against
9 the net tax capacity of the district as determined under section
10 273.13 and must be included with the other net tax capacity
11 levies certified to the county auditor under section 275.07.

12 Subd. 4. [REFERENDUM MARKET VALUE DEBT SERVICE LEVY.] The
13 eligible debt service revenues resulting from bonds issued
14 against referendum market value, minus the debt service
15 equalization aid apportioned to the referendum market value debt
16 service levy, must be levied against the referendum market value
17 of the district as defined in section 126C.01, subdivision 3,
18 and must be separately certified to the county auditor under
19 section 275.07.

20 [EFFECTIVE DATE.] This section is effective beginning with
21 taxes payable in 2006.

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

24 Subd. 9. [INFORMATION REQUIRED.] A school board proposing
25 to construct a facility described in subdivision 8 shall submit
26 to the commissioner a proposal containing information including
27 at least the following:

28 (1) the geographic area and population to be served,
29 preschool through grade 12 student enrollments for the past five
30 years, and student enrollment projections for the next five
31 years;

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

36 (3) a list of the specific deficiencies of the facility

1 that demonstrate the need for a new or renovated facility to be
2 provided, and a list of the specific benefits that the new or
3 renovated facility will provide to the students, teachers, and
4 community users served by the facility;

5 (4) the relationship of the project to any priorities
6 established by the school district, educational cooperatives
7 that provide support services, or other public bodies in the
8 service area;

9 (5) a specification of how the project will increase
10 community use of the facility and whether and how the project
11 will increase collaboration with other governmental or nonprofit
12 entities;

13 (6) a description of the project, including the
14 specification of site and outdoor space acreage and square
15 footage allocations for classrooms, laboratories, and support
16 spaces; estimated expenditures for the major portions of the
17 project; and the dates the project will begin and be completed;

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

24 (8) an analysis of how the proposed new or remodeled
25 facility will affect school district operational or
26 administrative staffing costs, and how the district's operating
27 budget will cover any increased operational or administrative
28 staffing costs;

29 (9) a description of the consultation with local or state
30 road and transportation officials on school site access and
31 safety issues, and the ways that the project will address those
32 issues;

33 (10) a description of how indoor air quality issues have
34 been considered and a certification that the architects and
35 engineers designing the facility will have professional
36 liability insurance;

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

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

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

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

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

17 Subd. 6. **[REFERENDUM EQUALIZATION LEVY.]** (a) For fiscal
18 year 2003 ~~and later~~ through 2007, a district's referendum
19 equalization levy equals the sum of the first tier referendum
20 equalization levy and the second tier referendum equalization
21 levy.

22 (b) A district's first tier referendum equalization levy
23 equals the district's first tier referendum equalization revenue
24 times the lesser of one or the ratio of the district's
25 referendum market value per resident marginal cost pupil unit to
26 \$476,000.

27 (c) A district's second tier referendum equalization levy
28 equals the district's second tier referendum equalization
29 revenue times the lesser of one or the ratio of the district's
30 referendum market value per resident marginal cost pupil unit to
31 \$270,000.

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

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

1 referendum local effort level.

2 (b) A district's first tier referendum local effort level
3 equals the district's first tier referendum equalization revenue
4 times the lesser of one or the ratio of the district's
5 referendum market value per resident marginal cost pupil unit to
6 \$476,000.

7 (c) A district's second tier referendum local effort level
8 equals the district's second tier referendum equalization
9 revenue times the lesser of one or the ratio of the district's
10 referendum market value per resident marginal cost pupil unit to
11 \$270,000.

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

14 Subd. 6b. [LOCAL EFFORT REVENUE.] (a) For fiscal years
15 2008 and later, a school district's local effort revenue is
16 equal to its local effort level for that year.

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

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

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

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

33 Subd. 7. [REFERENDUM EQUALIZATION AID.] (a) For fiscal
34 years 2005 through 2007, a district's referendum equalization
35 aid equals the difference between its referendum equalization
36 revenue and levy. For fiscal years 2008 and later, a district's

1 referendum equalization aid equals the difference between its
2 referendum equalization revenue and its local effort revenue.

3 (b) If a district's actual levy for first or second tier
4 referendum equalization revenue in fiscal years 2005 through
5 2007 is less than its maximum levy limit for that tier, aid
6 shall be proportionately reduced. If a district's actual local
7 effort revenue for first or second tier referendum equalization
8 revenue in fiscal years 2008 and later is less than its maximum
9 local effort revenue limit for that tier, aid shall be
10 proportionately reduced.

11 (c) Notwithstanding paragraph (a), the referendum
12 equalization aid for a district, where the referendum
13 equalization aid under paragraph (a) exceeds 90 percent of the
14 referendum revenue, must not exceed 18.6 percent of the formula
15 allowance times the district's resident marginal cost pupil
16 units. For fiscal years 2005 through 2007, a district's
17 referendum levy is increased by the amount of any reduction in
18 referendum aid under this paragraph. For fiscal years 2008 and
19 later, a district's local effort level is increased by the
20 amount of any reduction in referendum aid under this paragraph.

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

23 Subd. 9. [REFERENDUM REVENUE.] (a) The revenue authorized
24 by section 126C.10, subdivision 1, may be increased in the
25 amount approved by the voters of the district at a referendum
26 called for the purpose. The referendum may be called by the
27 board or shall be called by the board upon written petition of
28 qualified voters of the district. The referendum must be
29 conducted one or two calendar years before the increased levy
30 authority, if approved, first becomes payable. Only one
31 election to approve an increase may be held in a calendar year.
32 Unless the referendum is conducted by mail under paragraph (g),
33 the referendum must be held on the first Tuesday after the first
34 Monday in November. The ballot must state the maximum amount of
35 the increased revenue per resident marginal cost pupil unit, ~~the~~
36 ~~estimated-referendum-tax-rate-as-a-percentage-of-referendum~~

1 ~~market-value-in-the-first-year-it-is-to-be-levied,-and-that-the~~
2 ~~revenue-must-be-used-to-finance-school-operations.~~ The ballot
3 may state a schedule, determined by the board, of increased
4 revenue per resident marginal cost pupil unit that differs from
5 year to year over the number of years for which the increased
6 revenue is authorized. ~~If-the-ballot-contains-a-schedule~~
7 ~~showing-different-amounts,-it-must-also-indicate-the-estimated~~
8 ~~referendum-tax-rate-as-a-percent-of-referendum-market-value-for~~
9 ~~the-amount-specified-for-the-first-year-and-for-the-maximum~~
10 ~~amount-specified-in-the-schedule.~~ The ballot, including a
11 ballot on the question to revoke or reduce the increased revenue
12 amount under paragraph (c), must abbreviate the term "per
13 resident marginal cost pupil unit" as "per pupil unit." The
14 ballot may state that existing referendum ~~levy~~ taxing authority
15 is expiring. In this case, if the referendum authority is based
16 on a property tax levy, the ballot may also compare the proposed
17 levy authority to the existing expiring levy authority, and
18 express the proposed increase as the amount, if any, over the
19 expiring referendum levy authority. The ballot must designate
20 the specific number of years, not to exceed ten, for which the
21 referendum authorization applies. The notice required under
22 section 275.60 may be modified to read, in cases of renewing
23 existing levies:

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

26 If the referendum is on a proposed income tax under section
27 290.0621, the notice must read:

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

30 The ballot may contain a textual portion with the
31 information required in this subdivision and a question stating
32 substantially the following:

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

35 If approved, an amount equal to the approved revenue per
36 resident marginal cost pupil unit times the resident marginal

1 cost pupil units for the school year beginning in the year after
2 the levy is certified or the income tax is imposed shall be
3 authorized for certification for the number of years approved,
4 if applicable, or until revoked or reduced by the voters of the
5 district at a subsequent referendum. A referendum may be
6 conducted on the question of converting an existing referendum
7 property tax levy to a school referendum income tax to be
8 imposed under section 290.0621.

9 (b) The board must prepare and deliver by first class mail
10 at least 15 days but no more than 30 days before the day of the
11 referendum to each taxpayer a notice of the referendum and the
12 proposed revenue increase. The board need not mail more than
13 one notice to any taxpayer. For the purpose of giving mailed
14 notice under this subdivision for a referendum based on a
15 property tax levy, owners must be those shown to be owners on
16 the records of the county auditor or, in any county where tax
17 statements are mailed by the county treasurer, on the records of
18 the county treasurer. Every property owner whose name does not
19 appear on the records of the county auditor or the county
20 treasurer is deemed to have waived this mailed notice unless the
21 owner has requested in writing that the county auditor or county
22 treasurer, as the case may be, include the name on the records
23 for this purpose. The notice for a referendum based on a
24 property tax levy must project the anticipated amount of tax
25 increase in annual dollars ~~and-annual-percentage~~ for typical
26 residential homesteads, agricultural homesteads, apartments, and
27 commercial-industrial property within the school district. For
28 the purpose of giving mailed notice under this subdivision, for
29 a referendum based on an income tax under section 290.0621,
30 taxpayers must be those shown to be domiciled in the school
31 district as indicated on the space which must be provided for
32 this information on the Minnesota individual income tax form for
33 the taxable year ending before the calendar year when the
34 referendum is conducted. Every individual whose domicile is in
35 the school district whose name does not appear on the income tax
36 return as having a domicile in the district is deemed to have

1 waived this mailed notice unless the individual has requested in
2 writing that the county auditor or county treasurer, as the case
3 may be, include the individual's name on the records for this
4 purpose. The notice must project the anticipated amount of tax
5 increase in annual dollars and annual percentage for typical
6 family incomes within the school district.

7 The notice for a referendum based on a property tax levy
8 may state that an existing referendum levy is expiring and
9 project the anticipated amount of increase over the existing
10 referendum levy in the first year, if any, in annual dollars and
11 ~~annual-percentage~~ for typical residential homesteads,
12 agricultural homesteads, apartments, and commercial-industrial
13 property within the district.

14 The notice must include the following statement: "Passage
15 of this referendum will result in an increase in your property
16 taxes." However, in cases of renewing existing levies, the
17 notice may include the following statement: "Passage of this
18 referendum may result in an increase in your property taxes."

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

24 The notice must include the following statement: "Passage
25 of this referendum will result in an increase in your personal
26 income taxes." However, in cases of renewing existing income
27 tax referendum authorities, the notice may include the following
28 statement: "Passage of this referendum may result in an
29 increase in your personal income taxes."

30 (c) A referendum on the question of revoking or reducing
31 the increased revenue amount authorized pursuant to paragraph
32 (a) may be called by the board and shall be called by the board
33 upon the written petition of qualified voters of the district.
34 A referendum to revoke or reduce the revenue amount must state
35 the amount per resident marginal cost pupil unit by which the
36 authority is to be reduced. Revenue authority approved by the

1 voters of the district pursuant to paragraph (a) must be
2 available to the school district at least once before it is
3 subject to a referendum on its revocation or reduction for
4 subsequent years. Only one revocation or reduction referendum
5 may be held to revoke or reduce referendum revenue for any
6 specific year and for years thereafter.

7 (d) A petition authorized by paragraph (a) or (c) is
8 effective if signed by a number of qualified voters in excess of
9 15 percent of the registered voters of the district on the day
10 the petition is filed with the board. A referendum invoked by
11 petition must be held on the date specified in paragraph (a).

12 (e) The approval of 50 percent plus one of those voting on
13 the question is required to pass a referendum authorized by this
14 subdivision.

15 (f) At least 15 days before the day of the referendum, the
16 district must submit a copy of the notice required under
17 paragraph (b) to the commissioner and to the county auditor of
18 each county in which the district is located. Within 15 days
19 after the results of the referendum have been certified by the
20 board, or in the case of a recount, the certification of the
21 results of the recount by the canvassing board, the district
22 must notify the commissioner of the results of the referendum.

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

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

27 Subd. 1b. [MANUFACTURED HOME; EXEMPTION.] The provisions
28 of subdivision 1a shall not apply to (1) a manufactured home
29 which is sold or otherwise disposed of pursuant to section
30 504B.271 by the owner of a manufactured home park as defined in
31 section 327.14, subdivision 3, or (2) a manufactured home which
32 is sold pursuant to section 504B.265 by the owner of a
33 manufactured home park. The department shall not require a
34 manufactured home park owner to satisfy the delinquent or
35 current year's personal property taxes owed as condition of the
36 title transfer to the park owner.

1 **[EFFECTIVE DATE.]** This section is effective the day
2 following final enactment.

3 Sec. 13. [174.11] [COMMISSIONER TO NOTIFY COUNTY AUDITOR
4 OF PROPERTY ACQUISITIONS.]

5 Upon acquisition of any taxable real property, the
6 commissioner must notify the county auditor of the county where
7 the property is located that the property has been acquired.

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

10 Subd. 22. [WIND ENERGY CONVERSION SYSTEMS.] All real and
11 personal property of a wind energy conversion system as defined
12 in section 272.029, subdivision 2, is exempt from property tax
13 except that the land on which the property is located remains
14 taxable. If approved by the county where the property is
15 located, the value of the land on which the wind energy
16 conversion system is located shall not be increased or
17 decreased, but shall be valued in the same manner as similar
18 land that has not been improved with a wind energy conversion
19 system. The land shall be classified based on the most probable
20 use of the property if it were not improved with a wind energy
21 conversion system.

22 **[EFFECTIVE DATE.]** This section is effective for assessment
23 year 2005 and thereafter, for taxes payable in 2006 and
24 thereafter.

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

27 Subd. 47. [POULTRY LITTER BIOMASS GENERATION FACILITY;
28 PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a),
29 attached machinery and other personal property which is part of
30 an electrical generating facility that meets the requirements of
31 this subdivision is exempt. At the time of construction, the
32 facility must:

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

35 (2) be constructed for the purpose of generating power at
36 the facility that will be sold pursuant to a contract approved

1 by the Public Utilities Commission in accordance with the
2 biomass mandate imposed under section 216B.2424.

3 Construction of the facility must be commenced after
4 January 1, 2003, and before December 31, ~~2003~~ 2005. Property
5 eligible for this exemption does not include electric
6 transmission lines and interconnections or gas pipelines and
7 interconnections appurtenant to the property or the facility.

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

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

12 Subd. 56. [ELECTRIC GENERATION FACILITY; PERSONAL
13 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
14 attached machinery and other personal property which is part of
15 a combined-cycle combustion-turbine electric generation facility
16 that exceeds ~~550~~ 300 megawatts of installed capacity and that
17 meets the requirements of this subdivision is exempt. At the
18 time of construction, the facility must:

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

20 (2) not be owned by a public utility as defined in section
21 216B.02, subdivision 4;

22 (3) be located within five miles of an existing natural gas
23 pipeline and within four miles of an existing electrical
24 transmission substation;

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

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

29 (b) Construction of the facility must be commenced after
30 January 1, 2004, and before January 1, 2007, except that
31 property eligible for this exemption includes any expansion of
32 the facility that also meets the requirements of paragraph (a),
33 clauses (1) to (5), without regard to the date that construction
34 of the expansion commences. Property eligible for this
35 exemption does not include electric transmission lines and
36 interconnections or gas pipelines and interconnections

1 appurtenant to the property or the facility.

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

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

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

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

14 (2) not be owned by a public utility as defined in section
15 216B.02, subdivision 4;

16 (3) be located within five miles of an existing natural gas
17 pipeline and within five miles of an existing electrical
18 transmission substation;

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

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

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

28 (b) Construction of the facility must be commenced after
29 January 1, 2005, and before January 1, 2009. Property eligible
30 for this exemption does not include electric transmission lines
31 and interconnections or gas pipelines and interconnections
32 appurtenant to the property or the facility.

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

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

1 Subd. 69. [ELECTRIC GENERATION FACILITY; PERSONAL
2 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
3 machinery and other personal property which is part of a
4 simple-cycle, combustion-turbine electric generation facility
5 that exceeds 300 megawatts of installed capacity and that meets
6 the requirements of this subdivision is exempt. At the time of
7 the construction, the facility must:

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

9 (2) be owned by a public utility as defined in section
10 216B.02, subdivision 4, and be located at or interconnected with
11 an existing generating plant of the utility;

12 (3) be designed to provide peaking, emergency backup, or
13 contingency services;

14 (4) satisfy a resource need identified in an approved
15 integrated resource plan filed under section 216B.2422; and

16 (5) have received, by resolution, the approval from the
17 governing body of the county and the city for the exemption of
18 personal property under this subdivision.

19 Construction of the facility must be commenced after
20 January 1, 2004, and before January 1, 2006. Property eligible
21 for this exemption does not include electric transmission lines
22 and interconnections or gas pipelines and interconnections
23 appurtenant to the property or the facility.

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

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

28 Subd. 70. [ELECTRIC GENERATION FACILITY PERSONAL
29 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and
30 section 453.54, subdivision 20, attached machinery and other
31 personal property which is part of an electric generation
32 facility that exceeds 150 megawatts of installed capacity and
33 meets the requirements of this subdivision is exempt. At the
34 time of construction, the facility must:

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

36 (2) be owned and operated by a municipal power agency as

1 defined in section 453.52, subdivision 8;

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

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

6 (5) be designed to be a combined-cycle facility, although
7 initially the facility will be operated as a simple-cycle
8 combustion turbine.

9 (b) To qualify under this subdivision, an agreement must be
10 negotiated between the municipal power agency and the host city,
11 for a payment in lieu of property taxes to the host city.

12 (c) Construction of the facility must be commenced after
13 January 1, 2004, and before January 1, 2006. Property eligible
14 for this exemption does not include electric transmission lines
15 and interconnections or gas pipelines and interconnections
16 appurtenant to the property or the facility.

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

19 Sec. 20. Minnesota Statutes 2004, section 272.02, is
20 amended by adding a subdivision to read:

21 Subd. 71. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL
22 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
23 attached machinery and other personal property which is a part
24 of an electric generation facility, including remote boilers
25 that comprise part of the district heating system, generating up
26 to 30 megawatts of installed capacity and that meets the
27 requirements of this subdivision is exempt. At the time of
28 construction, the facility must:

29 (1) be designed to utilize a minimum 90 percent waste
30 biomass as a fuel;

31 (2) not be owned by a public utility as defined in section
32 216B.02, subdivision 4;

33 (3) be located within a city of the first class and have
34 its primary location at a former garbage transfer station; and

35 (4) be designed to have capability to provide baseload
36 energy and district heating.

1 (b) Construction of the facility must be commenced after
2 January 1, 2004, and before January 1, 2008. Property eligible
3 for this exemption does not include electric transmission lines
4 and interconnections or gas pipelines and interconnections
5 appurtenant to the property or the facility.

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

8 Sec. 21. Minnesota Statutes 2004, section 272.02, is
9 amended by adding a subdivision to read:

10 Subd. 72. [ELECTRIC GENERATION FACILITY; PERSONAL
11 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
12 attached machinery and other personal property that is part of
13 either a simple-cycle, combustion-turbine electric generation
14 facility that equals or exceeds 150 megawatts of installed
15 capacity, or a combined-cycle, combustion-turbine electric
16 generation facility that equals or exceeds 225 megawatts of
17 installed capacity, and that in either case meets the
18 requirements of this subdivision, is exempt. At the time of
19 construction, the facility must:

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

21 (2) not be owned by a public utility as defined in section
22 216B.02, subdivision 4;

23 (3) be located in a metropolitan county defined in section
24 473.121, subdivision 4, that has a population greater than
25 190,000 and less than 225,000 in the most recent federal
26 decennial census, within one mile of an existing natural gas
27 pipeline, and within one mile of an existing electrical
28 transmission substation; and

29 (4) be designed to provide energy and ancillary services
30 and have received a certificate of need under section 216B.243.

31 (b) Construction of the facility must be commenced after
32 January 1, 2005, and before January 1, 2008. Property eligible
33 for this exemption does not include electric transmission lines
34 and interconnections or gas pipelines and interconnections
35 appurtenant to the property or the facility.

36 [EFFECTIVE DATE.] This section is effective for taxes

1 levied in 2005, payable in 2006, and thereafter.

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

4 Subd. 73. [PERSONAL RAPID TRANSIT SYSTEM.] All property
5 used in the operation and support of a personal rapid transit
6 system as defined in section 297A.61, subdivision 37, that
7 provides service to the public on a regular and continuing
8 basis, is exempt, provided that it is operated independent of
9 any government subsidies.

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

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

14 Subd. 74. [QUALIFIED ELDERLY LIVING FACILITY.] An elderly
15 living facility is exempt from taxation if it meets all of the
16 following requirements:

17 (1) the facility is located in a city of the first class
18 with a population of more than 350,000;

19 (2) the facility is owned and operated by a nonprofit
20 corporation organized under chapter 317A or by a limited
21 liability company formed under chapter 322B, the sole member of
22 which is a nonprofit corporation organized under chapter 317A;

23 (3) the facility consists of no more than 60 living units;

24 (4) the owner of the facility is an affiliate of entities
25 that own and operate assisted living and skilled nursing
26 facilities that:

27 (i) are located across a street from the facility;

28 (ii) are adjacent to a church that is exempt from taxation
29 under subdivision 6;

30 (iii) include a congregate dining program; and

31 (iv) provide assisted living or similar social and physical
32 support;

33 (5) the residents of the facility must be:

34 (i) at least 62 years of age; or

35 (ii) handicapped; and

36 (6) at least 20 percent of the units in the facility are

1 occupied by persons whose annual income does not exceed 50
2 percent of median family income for the area or, in the
3 alternative, 40 percent of the units in the facility are
4 occupied by persons whose annual income does not exceed 60
5 percent of median family income for the area.

6 For purposes of this subdivision, "affiliate" means any
7 entity directly or indirectly controlling or controlled by or
8 under direct or indirect common control with an entity. For
9 this purpose, "control" means the power to direct management and
10 policies through membership or ownership of voting securities.

11 The property is exempt under this subdivision for taxes
12 levied in each year or partial year of the term of the
13 facility's initial permanent financing or 25 years, whichever is
14 later.

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

17 Sec. 24. Minnesota Statutes 2004, section 272.029,
18 subdivision 4, is amended to read:

19 Subd. 4. [REPORTS.] (a) An owner of a wind energy
20 conversion system subject to tax under subdivision 3 shall file
21 a report with the commissioner of revenue annually on or before
22 ~~March-1~~ February 1 detailing the amount of electricity in
23 kilowatt-hours that was produced by the wind energy conversion
24 system for the previous calendar year. The commissioner shall
25 prescribe the form of the report. The report must contain the
26 information required by the commissioner to determine the tax
27 due to each county under this section for the current year. If
28 an owner of a wind energy conversion system subject to taxation
29 under this section fails to file the report by the due date, the
30 commissioner of revenue shall determine the tax based upon the
31 nameplate capacity of the system multiplied by a capacity factor
32 of 40 percent.

33 (b) On or before ~~March-31~~ February 28, the commissioner of
34 revenue shall notify the owner of the wind energy conversion
35 systems of the tax due to each county for the current year and
36 shall certify to the county auditor of each county in which the

1 systems are located the tax due from each owner for the current
2 year.

3 [EFFECTIVE DATE.] This section is effective for taxes
4 payable in 2006 and thereafter.

5 Sec. 25. Minnesota Statutes 2004, section 272.029,
6 subdivision 6, is amended to read:

7 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
8 taxes imposed under subdivision 5 must be part of the settlement
9 between the county treasurer and the county auditor under
10 section 276.09. The revenue must be distributed by the county
11 auditor or the county treasurer to all local taxing
12 jurisdictions in which the wind energy conversion system is
13 located, in the same proportion that each of the taxing
14 jurisdiction's ~~current~~ previous year's net tax capacity based
15 tax rate is to the ~~current~~ previous year's total local net tax
16 capacity based rate.

17 [EFFECTIVE DATE.] This section is effective for taxes
18 payable in 2005 and thereafter.

19 Sec. 26. Minnesota Statutes 2004, section 273.11,
20 subdivision 1a, is amended to read:

21 Subd. 1a. [LIMITED MARKET VALUE.] In the case of all
22 property classified as agricultural homestead or nonhomestead,
23 residential homestead or nonhomestead, timber, ~~or~~ noncommercial
24 seasonal residential recreational, or class 1c resort property,
25 the assessor shall compare the value with the taxable portion of
26 the value determined in the preceding assessment except that for
27 class 1c resort property for assessment year 2005, the assessor
28 shall determine the limited market value as provided in
29 subdivision 1b.

30 ~~For assessment year 2002, the amount of the increase shall~~
31 ~~not exceed the greater of (1) ten percent of the value in the~~
32 ~~preceding assessment, or (2) 15 percent of the difference~~
33 ~~between the current assessment and the preceding assessment.~~

34 ~~For assessment year 2003 the amount of the increase shall~~
35 ~~not exceed the greater of (1) 12 percent of the value in the~~
36 ~~preceding assessment, or (2) 20 percent of the difference~~

1 ~~between-the-current-assessment-and-the-preceding-assessment.~~

2 For assessment year 2004 and thereafter, the amount of the
3 increase shall not exceed the greater of (1) 15 percent of the
4 value in the preceding assessment, or (2) 25 percent of the
5 difference between the current assessment and the preceding
6 assessment.

7 ~~For-assessment-year-2005,-the-amount-of-the-increase-shall~~
8 ~~not-exceed-the-greater-of-(1)-15-percent-of-the-value-in-the~~
9 ~~preceding-assessment,-or-(2)-33-percent-of-the-difference~~
10 ~~between-the-current-assessment-and-the-preceding-assessment.~~

11 ~~For-assessment-year-2006,-the-amount-of-the-increase-shall~~
12 ~~not-exceed-the-greater-of-(1)-15-percent-of-the-value-in-the~~
13 ~~preceding-assessment,-or-(2)-50-percent-of-the-difference~~
14 ~~between-the-current-assessment-and-the-preceding-assessment.~~

15 This limitation shall not apply to increases in value due
16 to improvements. For purposes of this subdivision, the term
17 "assessment" means the value prior to any exclusion under
18 subdivision 16.

19 ~~The-provisions-of-this-subdivision-shall-be-in-effect~~
20 ~~through-assessment-year-2006-as-provided-in-this-subdivision.~~

21 For purposes of this subdivision and subdivision 1b, "class
22 1c resort property" includes the portion of the property
23 classified class 1a or 1b homestead, the portion of the property
24 classified 1c, plus any remaining portion of the resort that is
25 classified 4c under section 273.13, subdivision 25, paragraph
26 (d), clause (1).

27 For purposes of the assessment/sales ratio study conducted
28 under section 127A.48, and the computation of state aids paid
29 under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and
30 477A, market values and net tax capacities determined under this
31 subdivision and subdivision 16, shall be used.

32 [EFFECTIVE DATE.] This section is effective the day
33 following final enactment for assessment year 2005, and
34 thereafter.

35 Sec. 27. Minnesota Statutes 2004, section 273.11, is
36 amended by adding a subdivision to read:

1 Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For
2 assessment year 2005, the valuation increase on class 1c resort
3 property shall not exceed the greater of (1) 15 percent of the
4 value of its 2003 assessment, or (2) 25 percent of the
5 difference in value between its 2005 assessment and its 2003
6 assessment. The valuation increase on class 1c resort property
7 for the 2006 and subsequent assessment years shall be determined
8 based upon the schedule contained in subdivision 1a.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 28. Minnesota Statutes 2004, section 273.11, is
12 amended by adding a subdivision to read:

13 Subd. 21. [VALUATION EXCLUSION FOR SEWAGE TREATMENT SYSTEM
14 IMPROVEMENTS.] Owners of property classified as class 1a, 1b,
15 1c, 2a, 4b, 4bb, or noncommercial 4c under section 273.13 may
16 apply for a valuation exclusion under this subdivision, provided
17 that the property is located in a county which has authorized
18 valuation exclusions under this subdivision, and provided that
19 the following conditions are met:

20 (1) a notice of noncompliance has been issued by a licensed
21 compliance inspector with regard to the individual sewage
22 treatment system serving the property under section 115.55,
23 subdivision 5b;

24 (2) the owner of the property furnishes documentation to
25 the satisfaction of the assessor that the property's individual
26 sewage treatment system has been replaced or refurbished,
27 including replacement of the individual system with a community
28 or cluster system, between May 1, 2005, and December 31, 2007;
29 and

30 (3) a certificate of compliance has been issued for the new
31 or refurbished system under section 115.55, subdivision 5.

32 Application must be made to the assessor on a form
33 prescribed by the commissioner of revenue. Property meeting the
34 requirements of this subdivision is eligible for a valuation
35 exclusion equal to 50 percent of the actual costs incurred, to a
36 maximum exclusion of \$7,500, for a period of five years, after

1 which the amount of the exclusion will be added to the estimated
2 market value of the property. The valuation exclusion
3 terminates upon the sale of the property. If a property owner
4 applies for exclusion under this subdivision between January 1
5 and June 30 of any year, the exclusion first applies for taxes
6 payable in the following year. If a property owner applies for
7 exclusion under this subdivision between July 1 and December 31
8 of any year, the exclusion first applies for taxes payable in
9 the second following year.

10 [EFFECTIVE DATE.] This section is effective for taxes
11 payable in 2006 and subsequent years.

12 Sec. 29. Minnesota Statutes 2004, section 273.11, is
13 amended by adding a subdivision to read:

14 Subd. 22. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.]
15 Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or
16 4bb under section 273.13 may apply for a valuation exclusion for
17 lead hazard reduction, provided that the property is located in
18 a city which has authorized valuation exclusions under this
19 subdivision. A city which authorizes valuation exclusions under
20 this subdivision must establish guidelines for qualifying lead
21 hazard reduction projects and must designate an agency within
22 the city to issue certificates of completion of qualifying
23 projects. For purposes of this subdivision, "lead hazard
24 reduction" has the same meaning as in section 144.9501,
25 subdivision 17.

26 The property owner must obtain a certificate from the city
27 stating that the project has been completed and stating the cost
28 incurred by the owner in completing the project. Only projects
29 originating after April 30, 2005, may qualify for exclusion
30 under this subdivision. The property owner shall apply for a
31 valuation exclusion to the assessor on a form prescribed by the
32 commissioner of revenue.

33 A qualifying property is eligible for a valuation exclusion
34 equal to 50 percent of the actual costs incurred, to a maximum
35 exclusion of \$15,000, for a period of five years, after which
36 the amount of the exclusion will be added to the estimated

1 market value of the property. The valuation exclusion shall
 2 terminate upon the sale of the property. If a property owner
 3 applies for exclusion under this subdivision between January 1
 4 and June 30 of any year, the exclusion shall first apply for
 5 taxes payable in the following year. If a property owner
 6 applies for exclusion under this subdivision between July 1 and
 7 December 31 of any year, the exclusion shall first apply for
 8 taxes payable in the second following year.

9 [EFFECTIVE DATE.] This section is effective for taxes
 10 payable in 2006 and subsequent years.

11 Sec. 30. Minnesota Statutes 2004, section 273.11, is
 12 amended by adding a subdivision to read:

13 Subd. 23. [VALUATION OF ENERGY-EFFICIENT COMMERCIAL
 14 PROPERTIES.] (a) The market value of certain energy-efficient
 15 property classified under section 273.13, subdivision 24, that
 16 is used for commercial purposes, is reduced as provided in this
 17 subdivision.

18 (b) To be eligible for a valuation reduction under this
 19 subdivision, property must be certified by a qualified inspector
 20 as having been constructed in a manner that will achieve a level
 21 of energy consumption that is at least 20 percent lower than the
 22 standard set in the state energy code rules. The percentage
 23 reduction in the market value of a qualifying property is
 24 determined as follows:

25 <u>percentage of energy consumption</u> 26 <u>below energy code requirement</u>	<u>percentage of</u> <u>market value reduction</u>
27 <u>20-30</u>	<u>5</u>
28 <u>31-50</u>	<u>10</u>
29 <u>over 50</u>	<u>15</u>

30 The reductions will remain in effect for the first ten
 31 assessment years after the property has been certified as
 32 qualifying under this subdivision.

33 (c) The Department of Commerce must establish a process for
 34 determining eligibility for the valuation reduction under this
 35 subdivision, including certification of persons who are
 36 qualified to perform this function.

1 (d) To claim a valuation reduction under this subdivision,
2 the owner of the commercial property must obtain a certification
3 of the level of qualification determined under paragraph (b),
4 which must be prepared by a person certified as provided in
5 paragraph (c). The property owner must furnish this
6 certification to the assessor by May 1 of the assessment year in
7 order to qualify for the valuation reduction for taxes payable
8 in the following year.

9 [EFFECTIVE DATE.] This section is effective for assessments
10 in 2006, taxes payable in 2007, and thereafter.

11 Sec. 31. [273.1115] [AGGREGATE RESOURCE PRESERVATION
12 PROPERTY TAX LAW.]

13 Subdivision 1. [REQUIREMENTS.] Real estate is entitled to
14 valuation under this section only if all of the following
15 requirements are met:

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

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

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

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

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

26 Subd. 2. [APPLICATION.] Application for valuation
27 deferment under this section must be filed by May 1 of the
28 assessment year. Any application filed and granted continues in
29 effect for subsequent years until the property no longer
30 qualifies, provided that supplemental affidavits under
31 subdivision 6 are timely filed. The application must be filed
32 with the assessor of the county in which the real property is
33 located on such form as may be prescribed by the commissioner of
34 revenue. The application must be executed and acknowledged in
35 the manner required by law to execute and acknowledge a deed and
36 must contain at least the following information and any other

1 information the commissioner deems necessary:

2 (1) the legal description of the area;

3 (2) the name and address of owner;

4 (3) a copy of the affidavit filed under section 273.13,

5 subdivision 23, paragraph (h), in the case of property

6 classified class 2b, clause (5); or in the case of property

7 classified 1a, 1b, 2a, and 2b, clauses (1) to (3), the

8 application must include a similar document with the same

9 information as contained in the affidavit under section 273.13,

10 subdivision 23, paragraph (h); and

11 (4) a statement of proof from the owner that the land

12 contains a restrictive covenant limiting its use for the

13 property's surface to that which exists on the date of the

14 application and limiting its future use to the preparation and

15 removal of the aggregate commercial deposit under its surface.

16 To qualify under this clause, the covenant must be binding

17 on the owner or the owner's successor or assignee, and run with

18 the land, except as provided in subdivision 4 allowing for the

19 cancellation of the covenant under certain conditions.

20 Subd. 3. [DETERMINATION OF VALUE.] Upon timely application

21 by the owner as provided in subdivision 2, notwithstanding

22 sections 272.03, subdivision 8, and 273.11, the value of any

23 qualifying land described in subdivision 2 must be valued as if

24 it were agricultural property, using a per acre valuation equal

25 to the current year's per acre valuation of agricultural land in

26 the county. The assessor shall not consider any additional

27 value resulting from potential alternative and future uses of

28 the property. The buildings located on the land shall be valued

29 by the assessor in the normal manner.

30 Subd. 4. [CANCELLATION OF COVENANT.] The covenant required

31 under subdivision 2 may be canceled in two ways:

32 (1) by the owner beginning with the next subsequent

33 assessment year provided that the additional taxes as determined

34 under subdivision 5 are paid by the owner at the time of

35 cancellation; and

36 (2) by the city or town in which the property is located

1 beginning with the next subsequent assessment year, if the city
2 council or town board:

3 (i) changes the conditional use of the property;

4 (ii) revokes the mining permit; or

5 (iii) changes the zoning to disallow mining.

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

8 Subd. 4a. [COUNTY TERMINATION.] Within two years of the
9 effective date of this section, a county may, following notice
10 and public hearing, terminate application of this section in the
11 county. The termination is effective upon adoption of a
12 resolution of the county board. A termination applies
13 prospectively and does not affect property enrolled under this
14 section prior to the termination date. A county may reauthorize
15 application of this section by a resolution of the county board
16 revoking the termination.

17 Subd. 5. [ADDITIONAL TAXES.] When real property which has
18 been valued and assessed under this section no longer qualifies,
19 the portion of the land classified under subdivision 1, clause
20 (1), is subject to additional taxes. The additional tax amount
21 is determined by:

22 (1) computing the difference between (i) the current year's
23 taxes determined in accordance with subdivision 5, and (ii) an
24 amount as determined by the assessor based upon the property's
25 current year's estimated market value of like real estate at its
26 highest and best use and the appropriate local tax rate; and

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

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

1 taxes if timely paid.

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

6 Subd. 6. [SUPPLEMENTAL AFFIDAVITS; MINING ACTIVITY ON
7 LAND.] When any portion of the property begins to be actively
8 mined, the owner must file a supplemental affidavit within 60
9 days from the day any aggregate is removed stating the number of
10 acres of the property that is actively being mined. The acres
11 actively being mined shall be (1) valued and classified under
12 section 273.13, subdivision 24, in the next subsequent
13 assessment year, and (2) removed from the aggregate resource
14 preservation property tax program under this section. The
15 additional taxes under subdivision 5 must not be imposed on the
16 acres that are actively being mined and have been removed from
17 the program under this section.

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

29 Subd. 7. [LIEN.] The additional tax imposed by this
30 section is a lien upon the property assessed to the same extent
31 and for the same duration as other taxes imposed upon property
32 within this state and, when collected, must be distributed in
33 the manner provided by law for the collection and distribution
34 of other property taxes.

35 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
36 real property qualifying under subdivision 1 is sold, additional

1 taxes must not be extended against the property if the property
2 continues to qualify under subdivision 1, and the new owner
3 files an application with the assessor for continued deferment
4 within 30 days after the sale.

5 Subd. 9. [DEFINITIONS.] For purposes of this section,
6 "commercial aggregate deposit" and "actively mined" have the
7 meanings given them in section 273.13, subdivision 23, paragraph
8 (h).

9 [EFFECTIVE DATE.] This section is effective for taxes
10 levied in 2005, payable in 2006, and thereafter, except that for
11 the 2005 assessment year, the application date under subdivision
12 4 shall be September 1, 2005, and subdivision 4a is effective
13 the day following final enactment.

14 Sec. 32. [273.1116] [HOMESTEAD RESORTS; VALUATION AND
15 DEFERMENT.]

16 Subdivision 1. [REQUIREMENTS.] Real property qualifying
17 for classification as class 1c under section 273.13, subdivision
18 22, paragraph (c), is entitled to valuation and tax deferment
19 under this section, provided that if part of a resort is not
20 classified as class 1c, only that portion of the value of the
21 property that is classified as class 1c property qualifies under
22 this section.

23 Subd. 2. [DETERMINATION OF VALUE.] Upon timely application
24 by the owner, as provided in subdivision 4, the value of real
25 property described in subdivision 1 must be determined by the
26 assessor solely with reference to its classification value as
27 class 1c property, notwithstanding sections 272.03, subdivision
28 8, and 273.11. The owner must furnish information on the income
29 generated by the property and other information required by the
30 assessor to determine the value of the property. The assessor
31 shall not consider any added values resulting from other factors.

32 Subd. 3. [SEPARATE DETERMINATION OF MARKET VALUE AND TAX.]
33 The assessor shall, however, make a separate determination of
34 the market value of the real estate. The assessor shall record
35 on the property assessment records the tax based upon the
36 appropriate local tax rate applicable to the property in the

1 taxing district.

2 Subd. 4. [APPLICATION.] Application for deferment of taxes
3 and assessment under this section must be filed by May 1 of the
4 year prior to the year in which the taxes are payable. The
5 application must be filed with the assessor of the taxing
6 district in which the real property is located on a form
7 prescribed by the commissioner of revenue. The assessor may
8 require proof by affidavit or otherwise that the property
9 qualifies under subdivision 1. An application approved by the
10 assessor continues in effect for subsequent years until the
11 property no longer qualifies under subdivision 1.

12 Subd. 5. [ADDITIONAL TAXES.] When real property valued and
13 assessed under this section no longer qualifies under
14 subdivision 1, the portion no longer qualifying is subject to
15 additional taxes, in the amount equal to the difference between
16 the taxes determined in accordance with subdivision 2, and the
17 amount determined under subdivision 3, provided, however, that
18 the amount determined under subdivision 3 must not be greater
19 than it would have been had the actual bona fide sale price of
20 the real property at an arms-length transaction been used in
21 lieu of the market value determined under subdivision 3. The
22 additional taxes must be extended against the property on the
23 tax list for the current year, except that no interest or
24 penalties may be levied on the additional taxes if timely paid,
25 and except that the additional taxes must only be levied with
26 respect to the last seven years that the property has been
27 valued and assessed under this section.

28 Subd. 6. [LIEN.] The tax imposed by this section is a lien
29 on the property assessed to the same extent and for the same
30 duration as other taxes imposed on property within this state.
31 The tax must be annually extended by the county auditor and when
32 payable must be collected and distributed in the manner provided
33 by law for the collection and distribution of other property
34 taxes.

35 Subd. 7. [SPECIAL LOCAL ASSESSMENTS.] The payment of
36 special local assessments levied after June 30, 2005, for

1 improvements made to any real property described in subdivision
2 2, together with the interest thereon must, on timely
3 application under subdivision 4, be deferred as long as the
4 property qualifies under subdivision 1. If special assessments
5 against the property have been deferred under this subdivision,
6 the governmental unit shall file with the county recorder in the
7 county in which the property is located a certificate containing
8 the legal description of the affected property and of the amount
9 deferred. When the property no longer qualifies under
10 subdivision 1, all deferred special assessments plus interest
11 are payable in equal installments spread over the time remaining
12 until the last maturity date of the bonds issued to finance the
13 improvement for which the assessments were levied. If the bonds
14 have matured, the deferred special assessments plus interest are
15 payable within 90 days. The provisions of section 429.061,
16 subdivision 2, apply to the collection of these installments.
17 Penalty must not be levied on the special assessments if timely
18 paid.

19 Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When
20 real property qualifying under subdivision 1 is sold, no
21 additional taxes or deferred special assessments plus interest
22 may be extended against the property if:

23 (1) the property continues to qualify pursuant to
24 subdivision 1; and

25 (2) the new owner files an application for continued
26 deferment within 30 days after the sale.

27 Subd. 9. [APPLICABILITY OF SPECIAL ASSESSMENT PROVISIONS.]
28 This section applies to special local assessments levied after
29 June 30, 2005, and payable in the years thereafter, but shall
30 not apply to any special assessments levied at any time by a
31 county or district court under the provisions of chapter 116A.

32 [EFFECTIVE DATE.] This section is effective for taxes
33 levied in 2005, payable in 2006, and thereafter. For
34 applications for taxes payable in 2006 only, the application
35 deadline in subdivision 4 is extended to August 1, 2005.

36 Sec. 33. Minnesota Statutes 2004, section 273.112,

1 subdivision 3, is amended to read:

2 Subd. 3. [REQUIREMENTS.] Real estate shall be entitled to
3 valuation and tax deferment under this section only if it is:

4 (a) actively and exclusively devoted to golf, skiing, lawn
5 bowling, croquet, polo, or archery or firearms range
6 recreational use or other recreational uses carried on at the
7 establishment;

8 (b) five acres in size or more, except in the case of a
9 lawn bowling or croquet green or an archery or firearms range;

10 (c) (1) operated by private individuals or, in the case of a
11 lawn bowling or croquet green, by private individuals or
12 corporations, and open to the public; or

13 (2) operated by firms or corporations for the benefit of
14 employees or guests; or

15 (3) operated by private clubs having a membership of 50 or
16 more or open to the public, provided that the club does not
17 discriminate in membership requirements or selection on the
18 basis of sex or marital status; and

19 (d) made available for use in the case of real estate
20 devoted to golf without discrimination on the basis of sex
21 during the time when the facility is open to use by the public
22 or by members, except that use for golf may be restricted on the
23 basis of sex no more frequently than one, or part of one,
24 weekend each calendar month for each sex and no more than two,
25 or part of two, weekdays each week for each sex.

26 If a golf club membership allows use of golf course
27 facilities by more than one adult per membership, the use must
28 be equally available to all adults entitled to use of the golf
29 course under the membership, except that use may be restricted
30 on the basis of sex as permitted in this section. Memberships
31 that permit play during restricted times may be allowed only if
32 the restricted times apply to all adults using the membership.
33 A golf club may not offer a membership or golfing privileges to
34 a spouse of a member that provides greater or less access to the
35 golf course than is provided to that person's spouse under the
36 same or a separate membership in that club, except that the

1 terms of a membership may provide that one spouse may have no
2 right to use the golf course at any time while the other spouse
3 may have either limited or unlimited access to the golf course.

4 A golf club may have or create an individual membership
5 category which entitles a member for a reduced rate to play
6 during restricted hours as established by the club. The club
7 must have on record a written request by the member for such
8 membership.

9 A golf club that has food or beverage facilities or
10 services must allow equal access to those facilities and
11 services for both men and women members in all membership
12 categories at all times. Nothing in this paragraph shall be
13 construed to require service or access to facilities to persons
14 under the age of 21 years or require any act that would violate
15 law or ordinance regarding sale, consumption, or regulation of
16 alcoholic beverages.

17 For purposes of this subdivision and subdivision 7a,
18 discrimination means a pattern or course of conduct and not
19 linked to an isolated incident.

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

22 Sec. 34. Minnesota Statutes 2004, section 273.123, is
23 amended by adding a subdivision to read:

24 Subd. 8. [HOMESTEAD PROPERTY DAMAGED BY MOLD.] (a) The
25 owner of homestead property not qualifying for an adjustment in
26 valuation under subdivisions 1 to 5 must receive a reduction in
27 the amount of taxes payable on the property if all of the
28 following conditions are met:

29 (1) the owner of the property makes written application to
30 the county assessor for tax treatment under this subdivision;

31 (2) the county assessor determines that the homestead
32 dwelling is uninhabitable because all or part of it has been
33 contaminated by mold; and

34 (3) the owner of the property makes written application to
35 the county board.

36 (b) If all of the conditions in paragraph (a) are met, the

1 county board must grant a reduction in the amount of property
2 tax payable on the homestead dwelling. The reduction must be
3 made for taxes payable in the year that the assessor determines
4 that the requirements in paragraph (a), clause (2), have been
5 met and in the following year.

6 (c) The reduction in the amount of tax payable must be
7 calculated based upon the number of months that the homestead is
8 uninhabitable. The amount of net tax due from the taxpayer
9 shall be multiplied by a fraction, the numerator of which is the
10 number of months the dwelling was occupied by that taxpayer, and
11 the denominator of which is 12. For purposes of this
12 subdivision, if a homestead dwelling is occupied or used for a
13 fraction of a month, it is considered a month. "Net tax" is
14 defined as the amount of tax after the subtraction of all of the
15 state paid property tax credits. If the reduction is granted
16 after all property taxes due for the year have been paid, the
17 amount of the reduction must be refunded to the taxpayer by the
18 county treasurer as soon as practical.

19 (d) Any reductions or refunds under this section are not
20 subject to approval by the commissioner of revenue.

21 (e) A denial of a reduction or refund under this section by
22 the county board may be appealed to the tax court. If the
23 county board takes no action on the application within 60 days
24 after its receipt, it is considered a denial.

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

27 Sec. 35. Minnesota Statutes 2004, section 273.124,
28 subdivision 1, is amended to read:

29 Subdivision 1. [GENERAL RULE.] (a) Residential real estate
30 that is occupied and used for the purposes of a homestead by its
31 owner, who must be a Minnesota resident, is a residential
32 homestead.

33 Agricultural land, as defined in section 273.13,
34 subdivision 23, that is occupied and used as a homestead by its
35 owner, who must be a Minnesota resident, is an agricultural
36 homestead.

1 Dates for establishment of a homestead and homestead
2 treatment provided to particular types of property are as
3 provided in this section.

4 Property held by a trustee under a trust is eligible for
5 homestead classification if the requirements under this chapter
6 are satisfied.

7 The assessor shall require proof, as provided in
8 subdivision 13, of the facts upon which classification as a
9 homestead may be determined. Notwithstanding any other law, the
10 assessor may at any time require a homestead application to be
11 filed in order to verify that any property classified as a
12 homestead continues to be eligible for homestead status.
13 Notwithstanding any other law to the contrary, the Department of
14 Revenue may, upon request from an assessor, verify whether an
15 individual who is requesting or receiving homestead
16 classification has filed a Minnesota income tax return as a
17 resident for the most recent taxable year for which the
18 information is available.

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

24 (b) For purposes of this section, homestead property shall
25 include property which is used for purposes of the homestead but
26 is separated from the homestead by a road, street, lot,
27 waterway, or other similar intervening property. The term "used
28 for purposes of the homestead" shall include but not be limited
29 to uses for gardens, garages, or other outbuildings commonly
30 associated with a homestead, but shall not include vacant land
31 held primarily for future development. In order to receive
32 homestead treatment for the noncontiguous property, the owner
33 must use the property for the purposes of the homestead, and
34 must apply to the assessor, both by the deadlines given in
35 subdivision 9. After initial qualification for the homestead
36 treatment, additional applications for subsequent years are not

1 required.

2 (c) Residential real estate that is occupied and used for
3 purposes of a homestead by a relative of the owner is a
4 homestead but only to the extent of the homestead treatment that
5 would be provided if the related owner occupied the property.
6 For purposes of this paragraph and paragraph (g), "relative"
7 means a parent, stepparent, child, stepchild, grandparent,
8 grandchild, brother, sister, uncle, aunt, nephew, or niece.
9 This relationship may be by blood or marriage. Property that
10 has been classified as seasonal residential recreational
11 property at any time during which it has been owned by the
12 current owner or spouse of the current owner will not be
13 reclassified as a homestead unless it is occupied as a homestead
14 by the owner; this prohibition also applies to property that, in
15 the absence of this paragraph, would have been classified as
16 seasonal residential recreational property at the time when the
17 residence was constructed. Neither the related occupant nor the
18 owner of the property may claim a property tax refund under
19 chapter 290A for a homestead occupied by a relative. In the
20 case of a residence located on agricultural land, only the
21 house, garage, and immediately surrounding one acre of land
22 shall be classified as a homestead under this paragraph, except
23 as provided in paragraph (d).

24 (d) Agricultural property that is occupied and used for
25 purposes of a homestead by a relative of the owner, is a
26 homestead, only to the extent of the homestead treatment that
27 would be provided if the related owner occupied the property,
28 and only if all of the following criteria are met:

29 (1) the relative who is occupying the agricultural property
30 is a son, daughter, grandson, granddaughter, father, or mother
31 of the owner of the agricultural property or a son, daughter,
32 grandson, or granddaughter of the spouse of the owner of the
33 agricultural property;

34 (2) the owner of the agricultural property must be a
35 Minnesota resident;

36 (3) the owner of the agricultural property must not receive

1 homestead treatment on any other agricultural property in
2 Minnesota; and

3 (4) the owner of the agricultural property is limited to
4 only one agricultural homestead per family under this paragraph.

5 Neither the related occupant nor the owner of the property
6 may claim a property tax refund under chapter 290A for a
7 homestead occupied by a relative qualifying under this
8 paragraph. For purposes of this paragraph, "agricultural
9 property" means the house, garage, other farm buildings and
10 structures, and agricultural land.

11 Application must be made to the assessor by the owner of
12 the agricultural property to receive homestead benefits under
13 this paragraph. The assessor may require the necessary proof
14 that the requirements under this paragraph have been met.

15 (e) In the case of property owned by a property owner who
16 is married, the assessor must not deny homestead treatment in
17 whole or in part if only one of the spouses occupies the
18 property and the other spouse is absent due to: (1) marriage
19 dissolution proceedings, (2) legal separation, (3) employment or
20 self-employment in another location, or (4) other personal
21 circumstances causing the spouses to live separately, not
22 including an intent to obtain two homestead classifications for
23 property tax purposes. To qualify under clause (3), the
24 spouse's place of employment or self-employment must be at least
25 50 miles distant from the other spouse's place of employment,
26 and the homesteads must be at least 50 miles distant from each
27 other. Homestead treatment, in whole or in part, shall not be
28 denied to the owner's spouse who previously occupied the
29 residence with the owner if the absence of the owner is due to
30 one of the exceptions provided in this paragraph.

31 (f) The assessor must not deny homestead treatment in whole
32 or in part if:

33 (1) in the case of a property owner who is not married, the
34 owner is absent due to residence in a nursing home, boarding
35 care facility, or an elderly assisted living facility property
36 as defined in section 273.13, subdivision 25a, and the property

1 is not otherwise occupied; or

2 (2) in the case of a property owner who is married, the
3 owner or the owner's spouse or both are absent due to residence
4 in a nursing home, boarding care facility, or an elderly
5 assisted living facility property as defined in section 273.13,
6 subdivision 25a, and the property is not occupied or is occupied
7 only by the owner's spouse.

8 (g) If an individual is purchasing property with the intent
9 of claiming it as a homestead and is required by the terms of
10 the financing agreement to have a relative shown on the deed as
11 a co-owner, the assessor shall allow a full homestead
12 classification. This provision only applies to first-time
13 purchasers, whether married or single, or to a person who had
14 previously been married and is purchasing as a single individual
15 for the first time. The application for homestead benefits must
16 be on a form prescribed by the commissioner and must contain the
17 data necessary for the assessor to determine if full homestead
18 benefits are warranted.

19 (h) If residential or agricultural real estate is occupied
20 and used for purposes of a homestead by a child of a deceased
21 owner and the property is subject to jurisdiction of probate
22 court, the child shall receive relative homestead classification
23 under paragraph (c) or (d) to the same extent they would be
24 entitled to it if the owner was still living, until the probate
25 is completed. For purposes of this paragraph, "child" includes
26 a relationship by blood or by marriage.

27 (i) If a single family home, duplex, or triplex classified
28 as either residential homestead or agricultural homestead is
29 also used to provide licensed child care, the portion of the
30 property used for licensed child care must be classified as
31 homestead property.

32 [EFFECTIVE DATE.] This section is effective in assessment
33 year 2005 and thereafter, for taxes payable in 2006, and
34 thereafter.

35 Sec. 36. Minnesota Statutes 2004, section 273.124,
36 subdivision 14, is amended to read:

1 Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.]

2 (a) Real estate of less than ten acres that is the homestead of
3 its owner must be classified as class 2a under section 273.13,
4 subdivision 23, paragraph (a), if:

5 (1) the parcel on which the house is located is contiguous
6 on at least two sides to (i) agricultural land, (ii) land owned
7 or administered by the United States Fish and Wildlife Service,
8 or (iii) land administered by the Department of Natural
9 Resources on which in lieu taxes are paid under sections 477A.11
10 to 477A.14;

11 (2) its owner also owns a noncontiguous parcel of
12 agricultural land that is at least 20 acres;

13 (3) the noncontiguous land is located not farther than four
14 townships or cities, or a combination of townships or cities
15 from the homestead; and

16 (4) the agricultural use value of the noncontiguous land
17 and farm buildings is equal to at least 50 percent of the market
18 value of the house, garage, and one acre of land.

19 Homesteads initially classified as class 2a under the
20 provisions of this paragraph shall remain classified as class
21 2a, irrespective of subsequent changes in the use of adjoining
22 properties, as long as the homestead remains under the same
23 ownership, the owner owns a noncontiguous parcel of agricultural
24 land that is at least 20 acres, and the agricultural use value
25 qualifies under clause (4). Homestead classification under this
26 paragraph is limited to property that qualified under this
27 paragraph for the 1998 assessment.

28 (b) (i) Agricultural property consisting of at least 40
29 acres shall be classified as the owner's homestead, to the same
30 extent as other agricultural homestead property, if all of the
31 following criteria are met:

32 (1) the owner, the owner's spouse, ~~or~~ the son or daughter
33 of the owner or owner's spouse, or the grandson or granddaughter
34 of the owner or the owner's spouse, is actively farming the
35 agricultural property, either on the person's own behalf as an
36 individual or on behalf of a partnership operating a family

1 farm, family farm corporation, joint family farm venture, or
2 limited liability company of which the person is a partner,
3 shareholder, or member;

4 (2) both the owner of the agricultural property and the
5 person who is actively farming the agricultural property under
6 clause (1), are Minnesota residents;

7 (3) neither the owner nor the spouse of the owner claims
8 another agricultural homestead in Minnesota; and

9 (4) neither the owner nor the person actively farming the
10 property lives farther than four townships or cities, or a
11 combination of four townships or cities, from the agricultural
12 property, except that if the owner or the owner's spouse is
13 required to live in employer-provided housing, the owner or
14 owner's spouse, whichever is actively farming the agricultural
15 property, may live more than four townships or cities, or
16 combination of four townships or cities from the agricultural
17 property.

18 The relationship under this paragraph may be either by
19 blood or marriage.

20 (ii) Real property held by a trustee under a trust is
21 eligible for agricultural homestead classification under this
22 paragraph if the qualifications in clause (i) are met, except
23 that "owner" means the grantor of the trust.

24 (iii) Property containing the residence of an owner who
25 owns qualified property under clause (i) shall be classified as
26 part of the owner's agricultural homestead, if that property is
27 also used for noncommercial storage or drying of agricultural
28 crops.

29 (c) Noncontiguous land shall be included as part of a
30 homestead under section 273.13, subdivision 23, paragraph (a),
31 only if the homestead is classified as class 2a and the detached
32 land is located in the same township or city, or not farther
33 than four townships or cities or combination thereof from the
34 homestead. Any taxpayer of these noncontiguous lands must
35 notify the county assessor that the noncontiguous land is part
36 of the taxpayer's homestead, and, if the homestead is located in

1 another county, the taxpayer must also notify the assessor of
2 the other county.

3 (d) Agricultural land used for purposes of a homestead and
4 actively farmed by a person holding a vested remainder interest
5 in it must be classified as a homestead under section 273.13,
6 subdivision 23, paragraph (a). If agricultural land is
7 classified class 2a, any other dwellings on the land used for
8 purposes of a homestead by persons holding vested remainder
9 interests who are actively engaged in farming the property, and
10 up to one acre of the land surrounding each homestead and
11 reasonably necessary for the use of the dwelling as a home, must
12 also be assessed class 2a.

13 (e) Agricultural land and buildings that were class 2a
14 homestead property under section 273.13, subdivision 23,
15 paragraph (a), for the 1997 assessment shall remain classified
16 as agricultural homesteads for subsequent assessments if:

17 (1) the property owner abandoned the homestead dwelling
18 located on the agricultural homestead as a result of the April
19 1997 floods;

20 (2) the property is located in the county of Polk, Clay,
21 Kittson, Marshall, Norman, or Wilkin;

22 (3) the agricultural land and buildings remain under the
23 same ownership for the current assessment year as existed for
24 the 1997 assessment year and continue to be used for
25 agricultural purposes;

26 (4) the dwelling occupied by the owner is located in
27 Minnesota and is within 30 miles of one of the parcels of
28 agricultural land that is owned by the taxpayer; and

29 (5) the owner notifies the county assessor that the
30 relocation was due to the 1997 floods, and the owner furnishes
31 the assessor any information deemed necessary by the assessor in
32 verifying the change in dwelling. Further notifications to the
33 assessor are not required if the property continues to meet all
34 the requirements in this paragraph and any dwellings on the
35 agricultural land remain uninhabited.

36 (f) Agricultural land and buildings that were class 2a

1 homestead property under section 273.13, subdivision 23,
2 paragraph (a), for the 1998 assessment shall remain classified
3 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 damage
6 caused by a March 29, 1998, tornado;

7 (2) the property is located in the county of Blue Earth,
8 Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

9 (3) the agricultural land and buildings remain under the
10 same ownership for the current assessment year as existed for
11 the 1998 assessment year;

12 (4) the dwelling occupied by the owner is located in this
13 state and is within 50 miles of one of the parcels of
14 agricultural land that is owned by the taxpayer; and

15 (5) the owner notifies the county assessor that the
16 relocation was due to a March 29, 1998, tornado, and the owner
17 furnishes the assessor any information deemed necessary by the
18 assessor in verifying the change in homestead dwelling. For
19 taxes payable in 1999, the owner must notify the assessor by
20 December 1, 1998. Further notifications to the assessor are not
21 required if the property continues to meet all the requirements
22 in this paragraph and any dwellings on the agricultural land
23 remain uninhabited.

24 (g) Agricultural property consisting of at least 40 acres
25 of a family farm corporation, joint family farm venture, family
26 farm limited liability company, or partnership operating a
27 family farm as described under subdivision 8 shall be classified
28 homestead, to the same extent as other agricultural homestead
29 property, if all of the following criteria are met:

30 (1) a shareholder, member, or partner of that entity is
31 actively farming the agricultural property;

32 (2) that shareholder, member, or partner who is actively
33 farming the agricultural property is a Minnesota resident;

34 (3) neither that shareholder, member, or partner, nor the
35 spouse of that shareholder, member, or partner claims another
36 agricultural homestead in Minnesota; and

1 (4) that shareholder, member, or partner does not live
2 farther than four townships or cities, or a combination of four
3 townships or cities, from the agricultural property.

4 Homestead treatment applies under this paragraph for
5 property leased to a family farm corporation, joint farm
6 venture, limited liability company, or partnership operating a
7 family farm if legal title to the property is in the name of an
8 individual who is a member, shareholder, or partner in the
9 entity.

10 (h) To be eligible for the special agricultural homestead
11 under this subdivision, an initial full application must be
12 submitted to the county assessor where the property is located.
13 Owners and the persons who are actively farming the property
14 shall be required to complete only a one-page abbreviated
15 version of the application in each subsequent year provided that
16 none of the following items have changed since the initial
17 application:

18 (1) the day-to-day operation, administration, and financial
19 risks remain the same;

20 (2) the owners and the persons actively farming the
21 property continue to live within the four townships or city
22 criteria and are Minnesota residents;

23 (3) the same operator of the agricultural property is
24 listed with the Farm Service Agency;

25 (4) a Schedule F or equivalent income tax form was filed
26 for the most recent year;

27 (5) the property's acreage is unchanged; and

28 (6) none of the property's acres have been enrolled in a
29 federal or state farm program since the initial application.

30 The owners and any persons who are actively farming the
31 property must include the appropriate Social Security numbers,
32 and sign and date the application. If any of the specified
33 information has changed since the full application was filed,
34 the owner must notify the assessor, and must complete a new
35 application to determine if the property continues to qualify
36 for the special agricultural homestead. The commissioner of

1 revenue shall prepare a standard reapplication form for use by
2 the assessors.

3 [EFFECTIVE DATE.] This section is effective for assessment
4 year 2004 and thereafter, for taxes payable in 2005 and
5 thereafter.

6 Sec. 37. Minnesota Statutes 2004, section 273.13,
7 subdivision 22, is amended to read:

8 Subd. 22. [CLASS 1.] (a) Except as provided in subdivision
9 23 and in paragraphs (b) and (c), real estate which is
10 residential and used for homestead purposes is class 1a. In the
11 case of a duplex or triplex in which one of the units is used
12 for homestead purposes, the entire property is deemed to be used
13 for homestead purposes. The market value of class 1a property
14 must be determined based upon the value of the house, garage,
15 and land.

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

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

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

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

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

28 (ii) is entitled to compensation under the laws and
29 regulations of the United States for permanent and total
30 service-connected disability due to the loss, or loss of use, by
31 reason of amputation, ankylosis, progressive muscular
32 dystrophies, or paralysis, of both lower extremities, such as to
33 preclude motion without the aid of braces, crutches, canes, or a
34 wheelchair; and

35 (iii) has acquired a special housing unit with special
36 fixtures or movable facilities made necessary by the nature of

1 the veteran's disability, or the surviving spouse of the
2 deceased veteran for as long as the surviving spouse retains the
3 special housing unit as a homestead; or

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

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

9 Property is classified and assessed pursuant to clause (1)
10 only if the commissioner of revenue certifies to the assessor
11 that the homestead occupant satisfies the requirements of this
12 paragraph.

13 Permanently and totally disabled for the purpose of this
14 subdivision means a condition which is permanent in nature and
15 totally incapacitates the person from working at an occupation
16 which brings the person an income. The first \$32,000 market
17 value of class 1b property has a net class rate of .45 percent
18 of its market value. The remaining market value of class 1b
19 property has a class rate using the rates for class 1a or class
20 2a property, whichever is appropriate, of similar market value.

21 (c) Class 1c property is commercial use real property that
22 abuts a lakeshore line and is devoted to temporary and seasonal
23 residential occupancy for recreational purposes but not devoted
24 to commercial purposes for more than 250 days in the year
25 preceding the year of assessment, and that includes a portion
26 used as a homestead by the owner, which includes a dwelling
27 occupied as a homestead by a shareholder of a corporation that
28 owns the resort, a partner in a partnership that owns the
29 resort, or a member of a limited liability company that owns the
30 resort even if the title to the homestead is held by the
31 corporation, partnership, or limited liability company. For
32 purposes of this clause, property is devoted to a commercial
33 purpose on a specific day if any portion of the property,
34 excluding the portion used exclusively as a homestead, is used
35 for residential occupancy and a fee is charged for residential
36 occupancy. The first ~~\$500,000~~ \$600,000 of market value of class

1 1c property has a class rate of one 0.55 percent, the market
 2 value that exceeds \$600,000 but does not exceed \$1,600,000 has a
 3 class rate of one percent, and the remaining market value of
 4 class 1c property has a class rate of ~~one percent, with the~~
 5 ~~following limitation:--the area of the property must not exceed~~
 6 ~~100 feet of lakeshore footage for each cabin or campsite located~~
 7 ~~on the property up to a total of 800 feet and 500 feet in depth,~~
 8 ~~measured away from the lakeshore.--If any portion of the class~~
 9 ~~1c resort property is classified as class 4c under subdivision~~
 10 ~~25, the entire property must meet the requirements of~~
 11 ~~subdivision 25, paragraph (d), clause (1), to qualify for class~~
 12 ~~1c treatment under this paragraph~~ 1.25 percent.

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

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

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

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

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

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

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

32 Sec. 38. Minnesota Statutes 2004, section 273.13,
 33 subdivision 23, is amended to read:

34 Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural
 35 land including any improvements that is homesteaded. The market
 36 value of the house and garage and immediately surrounding one

1 acre of land has the same class rates as class 1a property under
2 subdivision 22. The value of the remaining land including
3 improvements up to and including \$600,000 market value has a net
4 class rate of 0.55 percent of market value. The remaining
5 property over \$600,000 market value has a class rate of one
6 percent of market value.

7 (b) Class 2b property is (1) real estate, rural in
8 character and used exclusively for growing trees for timber,
9 lumber, and wood and wood products; (2) real estate that is not
10 improved with a structure and is used exclusively for growing
11 trees for timber, lumber, and wood and wood products, if the
12 owner has participated or is participating in a cost-sharing
13 program for afforestation, reforestation, or timber stand
14 improvement on that particular property, administered or
15 coordinated by the commissioner of natural resources; (3) real
16 estate that is nonhomestead agricultural land; ~~or~~ (4) a landing
17 area or public access area of a privately owned public use
18 airport; or (5) land with a commercial aggregate deposit that is
19 not actively being mined and is not otherwise classified as
20 class 2a or 2b, clauses (1) to (3). Class 2b property has a net
21 class rate of one percent of market value.

22 (c) Agricultural land as used in this section means
23 contiguous acreage of ten acres or more, used during the
24 preceding year for agricultural purposes. "Agricultural
25 purposes" as used in this section means the raising or
26 cultivation of agricultural products. "Agricultural purposes"
27 also includes enrollment in the Reinvest in Minnesota program
28 under sections 103F.501 to 103F.535 or the federal Conservation
29 Reserve Program as contained in Public Law 99-198 if the
30 property was classified as agricultural (i) under this
31 subdivision for the assessment year 2002 or (ii) in the year
32 prior to its enrollment. Contiguous acreage on the same parcel,
33 or contiguous acreage on an immediately adjacent parcel under
34 the same ownership, may also qualify as agricultural land, but
35 only if it is pasture, timber, waste, unusable wild land, or
36 land included in state or federal farm programs. Agricultural

1 classification for property shall be determined excluding the
2 house, garage, and immediately surrounding one acre of land, and
3 shall not be based upon the market value of any residential
4 structures on the parcel or contiguous parcels under the same
5 ownership.

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

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

14 Classification under this subdivision is not determinative
15 for qualifying under section 273.111.

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

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

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

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

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

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

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

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

36 (7) trees, grown for sale as a crop, and not sold for

1 timber, lumber, wood, or wood products, except that short
2 rotation woody crops that are cultivated using agricultural
3 practices on land that had previously been assessed as
4 agricultural land to produce timber or forest products are
5 agricultural products; and

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

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

- 12 (1) wholesale and retail sales;
- 13 (2) processing of raw agricultural products or other goods;
- 14 (3) warehousing or storage of processed goods; and
- 15 (4) office facilities for the support of the activities

16 enumerated in clauses (1), (2), and (3),

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

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

36 (g) To qualify for classification under paragraph (b),

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

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

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

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

- 31 (1) a legal description of the property;
- 32 (2) a disclosure that the property contains a commercial
- 33 aggregate deposit that is not actively being mined;
- 34 (3) documentation that the conditional use under the county
- 35 or local zoning ordinance of this property is for mining; and
- 36 (4) documentation that a permit has been issued by the

1 local unit of government or the mining activity is allowed under
2 local ordinance. The disclosure must include a statement from a
3 registered professional geologist, engineer, or soil scientist
4 delineating the deposit and certifying that it is a commercial
5 aggregate deposit.

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

12 (i) When any portion of the property under this subdivision
13 or section 273.13, subdivision 22, begins to be actively mined,
14 the owner must file a supplemental affidavit within 60 days from
15 the day any aggregate is removed stating the number of acres of
16 the property that is actively being mined. The acres actively
17 being mined must be (1) valued and classified under section
18 273.13, subdivision 24, in the next subsequent assessment year,
19 and (2) removed from the aggregate resource preservation
20 property tax program under section 273.1115, if the land was
21 enrolled in that program. Copies of the original affidavit and
22 all supplemental affidavits must be filed with the county
23 assessor, the local zoning administrator, and the Department of
24 Natural Resources, Division of Land and Minerals. A
25 supplemental affidavit must be filed each time a subsequent
26 portion of the property is actively mined, provided that the
27 minimum acreage change is five acres, even if the actual mining
28 activity constitutes less than five acres.

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

31 Sec. 39. Minnesota Statutes 2004, section 273.13,
32 subdivision 25, is amended to read:

33 Subd. 25. [CLASS 4.] (a) Class 4a is residential real
34 estate containing four or more units and used or held for use by
35 the owner or by the tenants or lessees of the owner as a
36 residence for rental periods of 30 days or more. Class 4a also

1 includes hospitals licensed under sections 144.50 to 144.56,
2 other than hospitals exempt under section 272.02, and contiguous
3 property used for hospital purposes, without regard to whether
4 the property has been platted or subdivided. The market value
5 of class 4a property has a class rate of 1.8 percent for taxes
6 payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25
7 percent for taxes payable in 2004 and thereafter, except that
8 class 4a property consisting of a structure for which
9 construction commenced after June 30, 2001, has a class rate of
10 1.25 percent of market value for taxes payable in 2003 and
11 subsequent years.

12 (b) Class 4b includes:

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

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

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

21 (4) unimproved property that is classified residential as
22 determined under subdivision 33.

23 The market value of class 4b property has a class rate of
24 1.5 percent for taxes payable in 2002, and 1.25 percent for
25 taxes payable in 2003 and thereafter.

26 (c) Class 4bb includes:

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

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

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

34 Property that has been classified as seasonal residential
35 recreational property at any time during which it has been owned
36 by the current owner or spouse of the current owner does not

1 qualify for class 4bb.

2 (d) Class 4c property includes:

3 (1) except as provided in subdivision 22, paragraph (c),
4 real property devoted to temporary and seasonal residential
5 occupancy for recreation purposes, including real property
6 devoted to temporary and seasonal residential occupancy for
7 recreation purposes and not devoted to commercial purposes for
8 more than 250 days in the year preceding the year of
9 assessment. For purposes of this clause, property is devoted to
10 a commercial purpose on a specific day if any portion of the
11 property is used for residential occupancy, and a fee is charged
12 for residential occupancy. In order for a property to be
13 classified as class 4c, seasonal residential recreational for
14 commercial purposes, at least 40 percent of the annual gross
15 lodging receipts related to the property must be from business
16 conducted during 90 consecutive days and either (i) at least 60
17 percent of all paid bookings by lodging guests during the year
18 must be for periods of at least two consecutive nights; or (ii)
19 at least 20 percent of the annual gross receipts must be from
20 charges for rental of fish houses, boats and motors,
21 snowmobiles, downhill or cross-country ski equipment, or charges
22 for marina services, launch services, and guide services, or the
23 sale of bait and fishing tackle. For purposes of this
24 determination, a paid booking of five or more nights shall be
25 counted as two bookings. Class 4c also includes commercial use
26 real property used exclusively for recreational purposes in
27 conjunction with class 4c property devoted to temporary and
28 seasonal residential occupancy for recreational purposes, up to
29 a total of two acres, provided the property is not devoted to
30 commercial recreational use for more than 250 days in the year
31 preceding the year of assessment and is located within two miles
32 of the class 4c property with which it is used. ~~Class-4e~~
33 ~~property-classified-in-this-clause-also-includes-the-remainder~~
34 ~~of-class-1e-resorts-provided-that-the-entire-property-including~~
35 ~~that-portion-of-the-property-classified-as-class-1e-also-meets~~
36 ~~the-requirements-for-class-4e-under-this-clause;-otherwise-the~~

1 ~~entire-property-is-classified-as-class-3-~~ Owners of real
2 property devoted to temporary and seasonal residential occupancy
3 for recreation purposes and all or a portion of which was
4 devoted to commercial purposes for not more than 250 days in the
5 year preceding the year of assessment desiring classification as
6 class 1c or 4c, must submit a declaration to the assessor
7 designating the cabins or units occupied for 250 days or less in
8 the year preceding the year of assessment by January 15 of the
9 assessment year. Those cabins or units and a proportionate
10 share of the land on which they are located will be designated
11 class 1c or 4c as otherwise provided. The remainder of the
12 cabins or units and a proportionate share of the land on which
13 they are located will be designated as class 3a. The owner of
14 property desiring designation as class 1c or 4c property must
15 provide guest registers or other records demonstrating that the
16 units for which class 1c or 4c designation is sought were not
17 occupied for more than 250 days in the year preceding the
18 assessment if so requested. The portion of a property operated
19 as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
20 nonresidential facility operated on a commercial basis not
21 directly related to temporary and seasonal residential occupancy
22 for recreation purposes shall not qualify for class 1c or 4c;
23 (2) qualified property used as a golf course if:
24 (i) it is open to the public on a daily fee basis. It may
25 charge membership fees or dues, but a membership fee may not be
26 required in order to use the property for golfing, and its green
27 fees for golfing must be comparable to green fees typically
28 charged by municipal courses; and
29 (ii) it meets the requirements of section 273.112,
30 subdivision 3, paragraph (d).
31 A structure used as a clubhouse, restaurant, or place of
32 refreshment in conjunction with the golf course is classified as
33 class 3a property;
34 (3) real property up to a maximum of one acre of land owned
35 by a nonprofit community service oriented organization; provided
36 that the property is not used for a revenue-producing activity

1 for more than six days in the calendar year preceding the year
2 of assessment and the property is not used for residential
3 purposes on either a temporary or permanent basis. For purposes
4 of this clause, a "nonprofit community service oriented
5 organization" means any corporation, society, association,
6 foundation, or institution organized and operated exclusively
7 for charitable, religious, fraternal, civic, or educational
8 purposes, and which is exempt from federal income taxation
9 pursuant to section 501(c)(3), (10), or (19) of the Internal
10 Revenue Code of 1986, as amended through December 31, 1990. For
11 purposes of this clause, "revenue-producing activities" shall
12 include but not be limited to property or that portion of the
13 property that is used as an on-sale intoxicating liquor or 3.2
14 percent malt liquor establishment licensed under chapter 340A, a
15 restaurant open to the public, bowling alley, a retail store,
16 gambling conducted by organizations licensed under chapter 349,
17 an insurance business, or office or other space leased or rented
18 to a lessee who conducts a for-profit enterprise on the
19 premises. Any portion of the property which is used for
20 revenue-producing activities for more than six days in the
21 calendar year preceding the year of assessment shall be assessed
22 as class 3a. The use of the property for social events open
23 exclusively to members and their guests for periods of less than
24 24 hours, when an admission is not charged nor any revenues are
25 received by the organization shall not be considered a
26 revenue-producing activity;

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

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

34 (6) real property that is actively and exclusively devoted
35 to indoor fitness, health, social, recreational, and related
36 uses, is owned and operated by a not-for-profit corporation, and

1 is located within the metropolitan area as defined in section
2 473.121, subdivision 2;

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

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

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

12 If a hangar classified under this clause is sold after June
13 30, 2000, a bill of sale must be filed by the new owner with the
14 assessor of the county where the property is located within 60
15 days of the sale; and

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

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

20 (ii) the owner of the aircraft storage hangar provides the
21 assessor with a signed agreement restricting the use of the
22 premises, prohibiting commercial use or activity performed at
23 the hangar; and

24 ~~(8)~~ (9) residential real estate, a portion of which is used
25 by the owner for homestead purposes, and that is also a place of
26 lodging, if all of the following criteria are met:

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

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

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

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

35 The market value subject to the 4c classification under this
36 clause is limited to five rental units. Any rental units on the

1 property in excess of five, must be valued and assessed as class
2 3a. The portion of the property used for purposes of a
3 homestead by the owner must be classified as class 1a property
4 under subdivision 22.

5 Class 4c property has a class rate of 1.5 percent of market
6 value, except that (i) each parcel of seasonal residential
7 recreational property not used for commercial purposes has the
8 same class rates as class 4bb property, (ii) manufactured home
9 parks assessed under clause (5) have the same class rate as
10 class 4b property, (iii) commercial-use seasonal residential
11 recreational property has a class rate of one percent for the
12 first \$500,000 of market value, which includes any market value
13 receiving the one percent rate under subdivision 22, and 1.25
14 percent for the remaining market value, (iv) the market value of
15 property described in clause (4) has a class rate of one
16 percent, (v) the market value of property described in clauses
17 (2) and (6) has a class rate of 1.25 percent, and (vi) that
18 portion of the market value of property in clause (8) qualifying
19 for class 4c property has a class rate of 1.25 percent.

20 (e) Class 4d property is qualifying low-income rental
21 housing certified to the assessor by the Housing Finance Agency
22 under sections 273.126 and 462A.071. Class 4d includes land in
23 proportion to the total market value of the building that is
24 qualifying low-income rental housing.

25 Class 4d property has a class rate of 0.55 percent for
26 taxes payable in 2007 and thereafter.

27 Sec. 40. [273.1321] [VALUATION OF LOW-INCOME RENTAL
28 PROPERTY; CAPITALIZED VALUE OF NET OPERATING INCOME.]

29 Subdivision 1. [REQUIREMENT.] Low-income rental property
30 classified as class 4d under section 273.13, subdivision 25, is
31 entitled to valuation under this section if at least 75 percent
32 of the units in the rental housing property meet any of the
33 following qualifications:

34 (1) the units are subject to a housing assistance payments
35 contract under section 8 of the United States Housing Act of
36 1937, as amended;

1 (2) the units are rent-restricted and income-restricted
2 units of a qualified low-income housing project receiving tax
3 credits under section 42(g) of the Internal Revenue Code of
4 1986, as amended;

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

9 (4) the units are subject to rent and income restrictions
10 under the terms of financial assistance provided to the rental
11 housing property by a federal, state, or local unit of
12 government as evidenced by a document recorded against the
13 property.

14 The restrictions must require assisted units to be occupied
15 by residents whose household income at the time of initial
16 occupancy does not exceed 60 percent of the greater of area or
17 state median income, adjusted for family size, as determined by
18 the United States Department of Housing and Urban Development.
19 The restriction must also require the rents for assisted units
20 to not exceed 30 percent of 60 percent of the greater of area or
21 state median income, adjusted for family size, as determined by
22 the United States Department of Housing and Urban Development.

23 Subd. 2. [DETERMINATION OF VALUE.] (a) The value of any
24 rental housing property meeting the qualifications of
25 subdivision 1 shall be determined, upon timely application by
26 the owner in the manner provided in subdivision 3, on the basis
27 of the restricted use of the property, notwithstanding sections
28 272.03, subdivision 8, and 273.11, by capitalizing the net
29 operating income prior to the payment of debt service.

30 (b) Net operating income prior to payment of debt service
31 must be the amounts shown in a financial statement prepared by
32 an independent certified public accountant or firm. The
33 financial statement must show the revenues, expenses, cash
34 flows, assets, liabilities, and net assets for the property for
35 which an application is made under this section.

36 (c) The capitalization rate applied to net operating income

1 shall be established jointly by the commissioner and the Housing
2 Finance Agency based on market data and industry standards. The
3 commissioner and the Housing Finance Agency shall jointly
4 establish separate rates based on types of rental housing
5 properties and their locations.

6 Subd. 3. [APPLICATION.] (a) Application for assessment
7 under this section must be filed by February 28 of the levy
8 year, or at a later date the Housing Finance Agency deems
9 practicable. The application must be filed with the Housing
10 Finance Agency, on a form prescribed by the agency, and must
11 contain the information required by the Housing Finance Agency.

12 (b) Each application must include:

13 (1) the property tax identification number;

14 (2) evidence that the property meets the requirements of
15 subdivision 1; and

16 (3) a true and correct copy of the financial statement
17 related to the property.

18 (c) The applicant must pay an application fee to be set by
19 the Housing Finance Agency. The application fee charged by the
20 agency must approximately equal the costs of processing and
21 reviewing the applications. The fee must be deposited in the
22 housing development fund.

23 Subd. 4. [CERTIFICATION.] By June 1 of each levy year, the
24 Housing Finance Agency must certify to local assessors the
25 valuation, as determined under this section, of rental
26 properties that apply and are qualified for valuation under this
27 section. In making the certification, the Housing Finance
28 Agency may rely on the application and supporting information
29 supplied by the property owner.

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

32 Sec. 41. [273.1322] [VACANT COMMERCIAL INDUSTRIAL
33 PROPERTIES.]

34 Subdivision 1. [AUTHORITY.] A city may establish, by
35 ordinance, a program to encourage redevelopment, provide for
36 better utilization of commercial industrial property, and

1 eliminate blighting influences by revoking the eligibility of
2 individual commercial industrial properties to receive the
3 credit authorized under section 273.1398, subdivision 4. The
4 program may revoke eligibility only if the property has been
5 vacant, as defined in subdivision 3, clauses (1) to (3), for
6 three or more consecutive years prior to the current assessment
7 year, or under subdivision 3, clause (4), for five or more
8 consecutive years prior to the current assessment year.

9 Subd. 2. [MINIMUM REQUIREMENTS.] The program must provide:

10 (1) standards for determining whether a property is vacant;

11 (2) written assessment notice by the city or county to the
12 property owner informing the owner that the property's
13 eligibility will be revoked;

14 (3) opportunity for the property owner to appeal the
15 revocation at the board of equalization;

16 (4) timely notice to the county assessor of the property's
17 eligibility revocation, if the city has a city assessor and the
18 city assessor has revoked the property's eligibility; and

19 (5) any other provisions the city determines are necessary
20 or appropriate to the operation of the program to achieve its
21 purposes.

22 Subd. 3. [DEFINITION OF VACANT.] A program established
23 under this section may provide that a property is vacant if the
24 property is:

25 (1) condemned, dangerous, or having multiple building code
26 violations;

27 (2) condemned and illegally occupied;

28 (3) either occupied or unoccupied, during which time the
29 enforcement officer for the municipality has issued multiple
30 orders to correct nuisance conditions; or

31 (4) unoccupied and not utilized for a commercial or
32 industrial purpose.

33 Subd. 4. [NOTICE TO PROPERTY OWNER.] The municipality
34 shall give notice to the property owner requiring that any
35 conditions in subdivision 3, clauses (1) to (3), be remedied,
36 and that the property be occupied and used for a commercial or

1 industrial purpose for at least 180 days during the next
2 12-month period, or else the property may cease to be eligible
3 for the credit under section 273.1398, subdivision 4.

4 [EFFECTIVE DATE.] This section is effective for taxes
5 payable in 2007 and thereafter.

6 Sec. 42. Minnesota Statutes 2004, section 273.1384,
7 subdivision 3, is amended to read:

8 Subd. 3. [CREDIT REIMBURSEMENTS.] (a) The county auditor
9 shall determine the tax reductions allowed under this section
10 within the county for each taxes payable year and shall certify
11 that amount to the commissioner of revenue as a part of the
12 abstracts of tax lists submitted by the county auditors under
13 section 275.29.

14 (b) In the case of class 1a, class 1c, or class 2a
15 homestead property which is located within a city, the county
16 auditor shall determine whether the net tax on each parcel is
17 less than the applicable percentage of its taxable market value
18 provided in this paragraph for the year. For taxes payable in
19 2007 and 2008, if the net tax on the property is less than 0.7
20 percent of its taxable market value, the county auditor shall
21 reduce the reimbursement to the county and the city for the
22 credit allowed under subdivision 1 by the amount of the
23 difference. For taxes payable in 2009 and 2010, if the net tax
24 on the property is less than 0.8 percent of its taxable market
25 value, the county auditor shall reduce the reimbursement to the
26 county and the city for the credit allowed under subdivision 1
27 by the amount of the difference. For taxes payable in 2011 and
28 2012, if the net tax on the property is less than 0.9 percent of
29 its taxable market value, the county auditor shall reduce the
30 reimbursement to the county and the city for the credit allowed
31 under subdivision 1 by the amount of the difference. For taxes
32 payable in 2013 and thereafter, if the net tax on the property
33 is less than one percent of its taxable market value, the county
34 auditor shall reduce the reimbursement to the county and the
35 city for the credit allowed under subdivision 1 by the amount of
36 the difference. The market value credit reimbursement cannot be

1 less than zero.

2 (c) Any prior year adjustments shall also be certified on
3 the abstracts of tax lists. The commissioner shall review the
4 certifications for accuracy, and may make such changes as are
5 deemed necessary, or return the certification to the county
6 auditor for correction. If there is no reduction of the
7 reimbursements under paragraph (b), the credits under this
8 section must be used to proportionately reduce the net tax
9 capacity-based property tax payable to each local taxing
10 jurisdiction as provided in section 273.1393. If there is a
11 reduction under paragraph (b), the reimbursements paid to the
12 city and county must be reduced in proportion to the amount of
13 their levies.

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

16 Sec. 43. [273.323] [EFFECTIVE DATE FOR RULES FOR VALUATION
17 OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.]

18 Rules adopted by the commissioner that prescribe the method
19 of valuing property of electric and transmission pipeline
20 utilities may not take effect before the end of the regular
21 legislative session in the calendar year following adoption of
22 the rules.

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

25 Sec. 44. Minnesota Statutes 2004, section 275.065,
26 subdivision 3, is amended to read:

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

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

35 (c) The notice must inform taxpayers that it contains the
36 amount of property taxes each taxing authority proposes to

1 collect for taxes payable the following year. In the case of a
2 town, or in the case of the state general tax, the final tax
3 amount will be its proposed tax. In the case of taxing
4 authorities required to hold a public meeting under subdivision
5 6, the notice must clearly state that each taxing authority,
6 including regional library districts established under section
7 134.201, and including the metropolitan taxing districts as
8 defined in paragraph (i), but excluding all other special taxing
9 districts and towns, will hold a public meeting to receive
10 public testimony on the proposed budget and proposed or final
11 property tax levy, or, in case of a school district, on the
12 current budget and proposed property tax levy. It must clearly
13 state the time and place of each taxing authority's meeting, a
14 telephone number for the taxing authority that taxpayers may
15 call if they have questions related to the notice, and an
16 address where comments will be received by mail.

17 (d) The notice must state for each parcel:

18 (1) the market value of the property as determined under
19 section 273.11, and used for computing property taxes payable in
20 the following year and for taxes payable in the current year as
21 each appears in the records of the county assessor on November 1
22 of the current year; and, in the case of residential property,
23 whether the property is classified as homestead or
24 nonhomestead. The notice must clearly inform taxpayers of the
25 years to which the market values apply and that the values are
26 final values;

27 (2) the items listed below, shown separately by county,
28 city or town, and state general tax, net of the residential and
29 agricultural homestead credit under section 273.1384, voter
30 approved school levy, other local school levy, and the sum of
31 the special taxing districts, and as a total of all taxing
32 authorities:

33 (i) the actual tax for taxes payable in the current year;

34 and

35 (ii) the proposed tax amount.

36 If the county levy under clause (2) includes an amount for

1 a lake improvement district as defined under sections 103B.501
2 to 103B.581, the amount attributable for that purpose must be
3 separately stated from the remaining county levy amount.

4 In the case of a town or the state general tax, the final
5 tax shall also be its proposed tax unless the town changes its
6 levy at a special town meeting under section 365.52. If a
7 school district has certified under section 126C.17, subdivision
8 9, that a referendum will be held in the school district at the
9 November general election, the county auditor must note next to
10 the school district's proposed amount that a referendum is
11 pending and that, if approved by the voters, the tax amount may
12 be higher than shown on the notice. In the case of the city of
13 Minneapolis, the levy for the Minneapolis Library Board and the
14 levy for Minneapolis Park and Recreation shall be listed
15 separately from the remaining amount of the city's levy. In the
16 case of the city of St. Paul, the levy for the St. Paul Library
17 Agency must be listed separately from the remaining amount of
18 the city's levy. In the case of Ramsey County, any amount
19 levied under section 134.07 may be listed separately from the
20 remaining amount of the county's levy. In the case of a parcel
21 where tax increment or the fiscal disparities areawide tax under
22 chapter 276A or 473F applies, the proposed tax levy on the
23 captured value or the proposed tax levy on the tax capacity
24 subject to the areawide tax must each be stated separately and
25 not included in the sum of the special taxing districts; and

26 (3) the increase or decrease between the total taxes
27 payable in the current year and the total proposed taxes,
28 expressed as a percentage.

29 For purposes of this section, the amount of the tax on
30 homesteads qualifying under the senior citizens' property tax
31 deferral program under chapter 290B is the total amount of
32 property tax before subtraction of the deferred property tax
33 amount.

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

36 (1) special assessments;

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

4 (3) a levy limit increase approved by the voters by the
5 first Tuesday after the first Monday in November of the levy
6 year as provided under section 275.73;

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

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

13 (6) the contamination tax imposed on properties which
14 received market value reductions for contamination.

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

20 (g) If the notice the taxpayer receives under this section
21 lists the property as nonhomestead, and satisfactory
22 documentation is provided to the county assessor by the
23 applicable deadline, and the property qualifies for the
24 homestead classification in that assessment year, the assessor
25 shall reclassify the property to homestead for taxes payable in
26 the following year.

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

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

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

34 The notice must be mailed or posted by the taxpayer by
35 November 27 or within three days of receipt of the notice,
36 whichever is later. A taxpayer may notify the county treasurer

1 of the address of the taxpayer, agent, caretaker, or manager of
2 the premises to which the notice must be mailed in order to
3 fulfill the requirements of this paragraph.

4 (i) For purposes of this subdivision, subdivisions 5a and
5 6, "metropolitan special taxing districts" means the following
6 taxing districts in the seven-county metropolitan area that levy
7 a property tax for any of the specified purposes listed below:

8 (1) Metropolitan Council under section 473.132, 473.167,
9 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

10 (2) Metropolitan Airports Commission under section 473.667,
11 473.671, or 473.672; and

12 (3) Metropolitan Mosquito Control Commission under section
13 473.711.

14 For purposes of this section, any levies made by the
15 regional rail authorities in the county of Anoka, Carver,
16 Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
17 398A shall be included with the appropriate county's levy and
18 shall be discussed at that county's public hearing.

19 [EFFECTIVE DATE.] This section is effective for notices for
20 property taxes levied in 2005, payable in 2006, and thereafter.

21 Sec. 45. Minnesota Statutes 2004, section 275.065, is
22 amended by adding a subdivision to read:

23 Subd. 9. [AITKIN COUNTY AND SCHOOL DISTRICT
24 HEARING.] Notwithstanding any other law, Aitkin County and
25 Independent School District No. 1, and the city of Aitkin, or
26 any two of them, may hold their initial public hearing jointly.
27 The hearing must be held on the second Tuesday of December each
28 year. The advertisement required in subdivision 5a may be a
29 joint advertisement. The hearing is otherwise subject to the
30 requirements of this section.

31 [EFFECTIVE DATE.] This section is effective for hearings
32 conducted in 2005 and subsequent years.

33 Sec. 46. Minnesota Statutes 2004, section 275.065, is
34 amended by adding a subdivision to read:

35 Subd. 10. [NOBLES COUNTY; JOINT INITIAL PUBLIC
36 HEARING.] Notwithstanding any other law, Nobles County, the city

1 of Worthington, and Independent School District No. 518,
2 Worthington, or any two of them, may hold their initial public
3 hearing jointly. The hearing must be held on the second Tuesday
4 of December each year. The advertisement required in
5 subdivision 5a may be a joint advertisement. The hearing is
6 otherwise subject to the requirements of this section.

7 [EFFECTIVE DATE.] This section is effective for hearings
8 conducted in 2005 and subsequent years.

9 Sec. 47. Minnesota Statutes 2004, section 275.066, is
10 amended to read:

11 275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

12 For the purposes of property taxation and property tax
13 state aids, the term "special taxing districts" includes the
14 following entities:

- 15 (1) watershed districts under chapter 103D;
- 16 (2) sanitary districts under sections 115.18 to 115.37;
- 17 (3) regional sanitary sewer districts under sections 115.61
18 to 115.67;
- 19 (4) regional public library districts under section
20 134.201;
- 21 (5) park districts under chapter 398;
- 22 (6) regional railroad authorities under chapter 398A;
- 23 (7) hospital districts under sections 447.31 to 447.38;
- 24 (8) St. Cloud Metropolitan Transit Commission under
25 sections 458A.01 to 458A.15;
- 26 (9) Duluth Transit Authority under sections 458A.21 to
27 458A.37;
- 28 (10) regional development commissions under sections
29 462.381 to 462.398;
- 30 (11) housing and redevelopment authorities under sections
31 469.001 to 469.047;
- 32 (12) port authorities under sections 469.048 to 469.068;
- 33 (13) economic development authorities under sections
34 469.090 to 469.1081;
- 35 (14) Metropolitan Council under sections 473.123 to
36 473.549;

- 1 (15) Metropolitan Airports Commission under sections
2 473.601 to 473.680;
- 3 (16) Metropolitan Mosquito Control Commission under
4 sections 473.701 to 473.716;
- 5 (17) Morrison County Rural Development Financing Authority
6 under Laws 1982, chapter 437, section 1;
- 7 (18) Croft Historical Park District under Laws 1984,
8 chapter 502, article 13, section 6;
- 9 (19) East Lake County Medical Clinic District under Laws
10 1989, chapter 211, sections 1 to 6;
- 11 (20) Floodwood Area Ambulance District under Laws 1993,
12 chapter 375, article 5, section 39;
- 13 (21) Middle Mississippi River Watershed Management
14 Organization under sections 103B.211 and 103B.241;
- 15 (22) emergency medical services special taxing districts
16 under section 144F.01;
- 17 (23) a county levying under the authority of section
18 103B.241, 103B.245, or 103B.251;
- 19 (24) Southern St. Louis County Special Taxing District;
20 Chris Jensen Nursing Home under Laws 2003, First Special Session
21 chapter 21, article 4, section 12; and
- 22 (25) soil and water conservation districts under chapter
23 103C; and
- 24 (26) any other political subdivision of the state of
25 Minnesota, excluding counties, school districts, cities, and
26 towns, that has the power to adopt and certify a property tax
27 levy to the county auditor, as determined by the commissioner of
28 revenue.
- 29 Sec. 48. Minnesota Statutes 2004, section 275.70,
30 subdivision 5, is amended to read:
- 31 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
32 portions of ad valorem taxes levied by a local governmental unit
33 for the following purposes or in the following manner:
- 34 (1) to pay the costs of the principal and interest on
35 bonded indebtedness or to reimburse for the amount of liquor
36 store revenues used to pay the principal and interest due on

1 municipal liquor store bonds in the year preceding the year for
2 which the levy limit is calculated;

3 (2) to pay the costs of principal and interest on
4 certificates of indebtedness issued for any corporate purpose
5 except for the following:

6 (i) tax anticipation or aid anticipation certificates of
7 indebtedness;

8 (ii) certificates of indebtedness issued under sections
9 298.28 and 298.282;

10 (iii) certificates of indebtedness used to fund current
11 expenses or to pay the costs of extraordinary expenditures that
12 result from a public emergency; or

13 (iv) certificates of indebtedness used to fund an
14 insufficiency in tax receipts or an insufficiency in other
15 revenue sources;

16 (3) to provide for the bonded indebtedness portion of
17 payments made to another political subdivision of the state of
18 Minnesota;

19 (4) to fund payments made to the Minnesota State Armory
20 Building Commission under section 193.145, subdivision 2, to
21 retire the principal and interest on armory construction bonds;

22 (5) property taxes approved by voters which are levied
23 against the referendum market value as provided under section
24 275.61;

25 (6) to fund matching requirements needed to qualify for
26 federal or state grants or programs to the extent that either
27 (i) the matching requirement exceeds the matching requirement in
28 calendar year 2001, or (ii) it is a new matching requirement
29 that did not exist prior to 2002;

30 (7) to pay the expenses reasonably and necessarily incurred
31 in preparing for or repairing the effects of natural disaster
32 including the occurrence or threat of widespread or severe
33 damage, injury, or loss of life or property resulting from
34 natural causes, in accordance with standards formulated by the
35 Emergency Services Division of the state Department of Public
36 Safety, as allowed by the commissioner of revenue under section

1 275.74, subdivision 2;

2 (8) pay amounts required to correct an error in the levy
3 certified to the county auditor by a city or county in a levy
4 year, but only to the extent that when added to the preceding
5 year's levy it is not in excess of an applicable statutory,
6 special law or charter limitation, or the limitation imposed on
7 the governmental subdivision by sections 275.70 to 275.74 in the
8 preceding levy year;

9 (9) to pay an abatement under section 469.1815;

10 (10) to pay any costs attributable to increases in the
11 employer contribution rates under chapter 353 that are effective
12 after June 30, 2001;

13 (11) to pay the operating or maintenance costs of a county
14 jail as authorized in section 641.01 or 641.262, or of a
15 correctional facility as defined in section 241.021, subdivision
16 1, paragraph (f), to the extent that the county can demonstrate
17 to the commissioner of revenue that the amount has been included
18 in the county budget as a direct result of a rule, minimum
19 requirement, minimum standard, or directive of the Department of
20 Corrections, or to pay the operating or maintenance costs of a
21 regional jail as authorized in section 641.262. For purposes of
22 this clause, a district court order is not a rule, minimum
23 requirement, minimum standard, or directive of the Department of
24 Corrections. If the county utilizes this special levy, except
25 to pay operating or maintenance costs of a new regional jail
26 facility under sections 641.262 to 641.264 which will not
27 replace an existing jail facility, any amount levied by the
28 county in the previous levy year for the purposes specified
29 under this clause and included in the county's previous year's
30 levy limitation computed under section 275.71, shall be deducted
31 from the levy limit base under section 275.71, subdivision 2,
32 when determining the county's current year levy limitation. The
33 county shall provide the necessary information to the
34 commissioner of revenue for making this determination;

35 (12) to pay for operation of a lake improvement district,
36 as authorized under section 103B.555. If the county utilizes

1 this special levy, any amount levied by the county in the
2 previous levy year for the purposes specified under this clause
3 and included in the county's previous year's levy limitation
4 computed under section 275.71 shall be deducted from the levy
5 limit base under section 275.71, subdivision 2, when determining
6 the county's current year levy limitation. The county shall
7 provide the necessary information to the commissioner of revenue
8 for making this determination;

9 (13) to repay a state or federal loan used to fund the
10 direct or indirect required spending by the local government due
11 to a state or federal transportation project or other state or
12 federal capital project. This authority may only be used if the
13 project is not a local government initiative;

14 (14) to pay for court administration costs as required
15 under section 273.1398, subdivision 4b, less the (i) county's
16 share of transferred fines and fees collected by the district
17 courts in the county for calendar year 2001 and (ii) the aid
18 amount certified to be paid to the county in 2004 under section
19 273.1398, subdivision 4c; however, for taxes levied to pay for
20 these costs in the year in which the court financing is
21 transferred to the state, the amount under this clause is
22 limited to the amount of aid the county is certified to receive
23 under section 273.1398, subdivision 4a; and

24 (15) to fund a police or firefighters relief association as
25 required under section 69.77 to the extent that the required
26 amount exceeds the amount levied for this purpose in 2001; and

27 (16) to pay for the maintenance and support of a city or
28 county society for the prevention of cruelty to animals under
29 section 343.11. If the city or county uses this special levy,
30 any amount levied by the city or county in the previous levy
31 year for the purposes specified in this clause and included in
32 the city's or county's previous year's levy limit computed under
33 section 275.71, must be deducted from the levy limit base under
34 section 275.71, subdivision 2, in determining the city's or
35 county's current year levy limit.

36 [EFFECTIVE DATE.] This section is effective for taxes

1 levied in 2005, payable in 2006, and thereafter.

2 Sec. 49. Minnesota Statutes 2004, section 276.04,
3 subdivision 2, is amended to read:

4 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
5 shall provide for the printing of the tax statements. The
6 commissioner of revenue shall prescribe the form of the property
7 tax statement and its contents. The statement must contain a
8 tabulated statement of the dollar amount due to each taxing
9 authority and the amount of the state tax from the parcel of
10 real property for which a particular tax statement is prepared.
11 The dollar amounts attributable to the county, the state tax,
12 the voter approved school tax, the other local school tax, the
13 township or municipality, and the total of the metropolitan
14 special taxing districts as defined in section 275.065,
15 subdivision 3, paragraph (i), must be separately stated. The
16 amounts due all other special taxing districts, if any, may be
17 aggregated. If the county levy under this paragraph includes an
18 amount for a lake improvement district as defined under sections
19 103B.501 to 103B.581, the amount attributable for that purpose
20 must be separately stated from the remaining county levy
21 amount. In the case of Ramsey County, if the county levy under
22 this paragraph includes an amount for public library service
23 under section 134.07, the amount attributable for that purpose
24 may be separately stated from the remaining county levy amount.
25 The amount of the tax on homesteads qualifying under the senior
26 citizens' property tax deferral program under chapter 290B is
27 the total amount of property tax before subtraction of the
28 deferred property tax amount. The amount of the tax on
29 contamination value imposed under sections 270.91 to 270.98, if
30 any, must also be separately stated. The dollar amounts,
31 including the dollar amount of any special assessments, may be
32 rounded to the nearest even whole dollar. For purposes of this
33 section whole odd-numbered dollars may be adjusted to the next
34 higher even-numbered dollar. The amount of market value
35 excluded under section 273.11, subdivision 16, if any, must also
36 be listed on the tax statement.

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

5 (c) Real and personal property tax statements must contain
6 the following information in the order given in this paragraph.
7 The information must contain the current year tax information in
8 the right column with the corresponding information for the
9 previous year in a column on the left:

10 (1) the property's estimated market value under section
11 273.11, subdivision 1;

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

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

17 (4) a total of the following aids:

18 (i) education aids payable under chapters 122A, 123A, 123B,
19 124D, 125A, 126C, and 127A;

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

22 (iii) disparity reduction aid under section 273.1398; and

23 (iv) homestead and agricultural credit aid under section
24 273.1398;

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

27 (6) any credits received under sections 273.119; 273.123;
28 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
29 473H.10, except that the amount of credit received under section
30 273.135 must be separately stated and identified as "taconite
31 tax relief"; and

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

34 (d) If the county uses envelopes for mailing property tax
35 statements and if the county agrees, a taxing district may
36 include a notice with the property tax statement notifying

1 taxpayers when the taxing district will begin its budget
2 deliberations for the current year, and encouraging taxpayers to
3 attend the hearings. If the county allows notices to be
4 included in the envelope containing the property tax statement,
5 and if more than one taxing district relative to a given
6 property decides to include a notice with the tax statement, the
7 county treasurer or auditor must coordinate the process and may
8 combine the information on a single announcement.

9 The commissioner of revenue shall certify to the county
10 auditor the actual or estimated aids enumerated in clause (4)
11 that local governments will receive in the following year. The
12 commissioner must certify this amount by January 1 of each year.

13 [EFFECTIVE DATE.] This section is effective for property
14 tax statements for taxes payable in 2006 and thereafter.

15 Sec. 50. [278.021] [PETITIONS INVOLVING LOW-INCOME RENTAL
16 HOUSING PROPERTY.]

17 Notwithstanding section 278.02, in the case of real
18 property that meets the definition of qualifying low-income
19 housing rental property established in section 273.126, the
20 petition may include any and all such parcels of real property
21 in which the petitioner has an estate, right, title, interest,
22 or lien, except that all such parcels included in the petition
23 must be located in the same county. Contiguous qualifying
24 low-income rental housing property overlapping county boundaries
25 may be included in the same petition.

26 Sec. 51. Minnesota Statutes 2004, section 278.03,
27 subdivision 1, is amended to read:

28 Subdivision 1. [REAL PROPERTY.] ~~In-the-case-of-real~~
29 ~~property,~~ If the proceedings instituted by the filing of the
30 petition have not been completed before the 16th day of May next
31 following the filing or, in the case of class 1c property or
32 class 4c resort property before the 16th day of June for taxes
33 payable in 2006 and 2007 only, the petitioner shall pay to the
34 county treasurer 50 percent of the tax levied for such year
35 against the property involved, unless permission to continue
36 prosecution of the petition without such payment is obtained as

1 herein provided. If the proceedings instituted by the filing of
2 the petition have not been completed by the next October 16, or,
3 in the case of class 1b agricultural homestead, class 2a
4 agricultural homestead, and class 2b(2) agricultural
5 nonhomestead property, November 16, the petitioner shall pay to
6 the county treasurer 50 percent of the unpaid balance of the
7 taxes levied for the year against the property involved if the
8 unpaid balance is \$2,000 or less and 80 percent of the unpaid
9 balance if the unpaid balance is over \$2,000, unless permission
10 to continue prosecution of the petition without payment is
11 obtained as herein provided. The petitioner, upon ten days'
12 notice to the county attorney and to the county auditor, given
13 at least ten days prior to the 16th day of May or, in the case
14 of class 1c or class 4c resort property, the 16th day of June
15 for taxes payable in 2006 and 2007 only, or the 16th day of
16 October, or, in the case of class 1b agricultural homestead,
17 class 2a agricultural homestead, and class 2b(2) agricultural
18 nonhomestead property, the 16th day of November, may apply to
19 the court for permission to continue prosecution of the petition
20 without payment; and, if it is made to appear

21 (1) that the proposed review is to be taken in good faith;

22 (2) that there is probable cause to believe that the
23 property may be held exempt from the tax levied or that the tax
24 may be determined to be less than 50 percent of the amount
25 levied; and

26 (3) that it would work a hardship upon petitioner to pay
27 the taxes due,

28 the court may permit the petitioner to continue prosecution
29 of the petition without payment, or may fix a lesser amount to
30 be paid as a condition of continuing the prosecution of the
31 petition.

32 Failure to make payment of the amount required when due
33 shall operate automatically to dismiss the petition and all
34 proceedings thereunder unless the payment is waived by an order
35 of the court permitting the petitioner to continue prosecution
36 of the petition without payment. The petition shall be

1 automatically reinstated upon payment of the entire tax plus
2 interest and penalty if the payment is made within one year of
3 the dismissal. The county treasurer shall, upon request of the
4 petitioner, issue duplicate receipts for the tax payment, one of
5 which shall be filed by the petitioner in the proceeding.

6 Sec. 52. Minnesota Statutes 2004, section 279.01,
7 subdivision 1, is amended to read:

8 Subdivision 1. [DUE DATES; PENALTIES.] Except as provided
9 in ~~subdivision 3 or 4~~ this section, on May 16 or 21 days after
10 the postmark date on the envelope containing the property tax
11 statement, whichever is later, a penalty shall accrue and
12 thereafter be charged upon all unpaid taxes on real estate on
13 the current lists in the hands of the county treasurer. The
14 penalty shall be at a rate of two percent on homestead property
15 until May 31 and four percent on June 1. The penalty on
16 nonhomestead property shall be at a rate of four percent until
17 May 31 and eight percent on June 1. This penalty shall not
18 accrue until June 1 of each year, or 21 days after the postmark
19 date on the envelope containing the property tax statements,
20 whichever is later, on commercial use real property used for
21 seasonal residential recreational purposes and classified as
22 class 1c or 4c, and on other commercial use real property
23 classified as class 3a, provided that over 60 percent of the
24 gross income earned by the enterprise on the class 3a property
25 is earned during the months of May, June, July, and August. Any
26 property owner of such class 3a property who pays the first half
27 of the tax due on the property after May 15 and before June 1,
28 or 21 days after the postmark date on the envelope containing
29 the property tax statement, whichever is later, shall attach an
30 affidavit to the payment attesting to compliance with the income
31 provision of this subdivision. Thereafter, for both homestead
32 and nonhomestead property, on the first day of each month
33 beginning July 1, up to and including October 1 following, an
34 additional penalty of one percent for each month shall accrue
35 and be charged on all such unpaid taxes provided that if the due
36 date was extended beyond May 15 as the result of any delay in

1 mailing property tax statements no additional penalty shall
2 accrue if the tax is paid by the extended due date. If the tax
3 is not paid by the extended due date, then all penalties that
4 would have accrued if the due date had been May 15 shall be
5 charged. When the taxes against any tract or lot exceed \$50,
6 one-half thereof may be paid prior to May 16 or 21 days after
7 the postmark date on the envelope containing the property tax
8 statement, whichever is later; and, if so paid, no penalty shall
9 attach; the remaining one-half shall be paid at any time prior
10 to October 16 following, without penalty; but, if not so paid,
11 then a penalty of two percent shall accrue thereon for homestead
12 property and a penalty of four percent on nonhomestead
13 property. Thereafter, for homestead property, on the first day
14 of November an additional penalty of four percent shall accrue
15 and on the first day of December following, an additional
16 penalty of two percent shall accrue and be charged on all such
17 unpaid taxes. Thereafter, for nonhomestead property, on the
18 first day of November and December following, an additional
19 penalty of four percent for each month shall accrue and be
20 charged on all such unpaid taxes. If one-half of such taxes
21 shall not be paid prior to May 16 or 21 days after the postmark
22 date on the envelope containing the property tax statement,
23 whichever is later, the same may be paid at any time prior to
24 October 16, with accrued penalties to the date of payment added,
25 and thereupon no penalty shall attach to the remaining one-half
26 until October 16 following.

27 This section applies to payment of personal property taxes
28 assessed against improvements to leased property, except as
29 provided by section 277.01, subdivision 3.

30 A county may provide by resolution that in the case of a
31 property owner that has multiple tracts or parcels with
32 aggregate taxes exceeding \$50, payments may be made in
33 installments as provided in this subdivision.

34 The county treasurer may accept payments of more or less
35 than the exact amount of a tax installment due. If the accepted
36 payment is less than the amount due, payments must be applied

1 first to the penalty accrued for the year the payment is made.
2 Acceptance of partial payment of tax does not constitute a
3 waiver of the minimum payment required as a condition for filing
4 an appeal under section 278.03 or any other law, nor does it
5 affect the order of payment of delinquent taxes under section
6 280.39.

7 Sec. 53. Minnesota Statutes 2004, section 279.01, is
8 amended by adding a subdivision to read:

9 Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY USED
10 FOR COMMERCIAL PURPOSES.] For taxes payable in 2006 and 2007
11 only, in the case of class 1c property and class 4c seasonal
12 residential recreational property used for commercial purposes,
13 no penalties shall accrue to the first one-half property tax
14 payment as provided in this section if paid by June 15. On June
15 16, a penalty shall accrue and thereafter be charged upon all
16 unpaid taxes. On class 1c property the penalty is at a rate of
17 two percent until June 31, and four percent on July 1. On class
18 4c seasonal residential recreational property used for
19 commercial purposes, the penalty is four percent until June 31
20 and eight percent on July 1. Thereafter, for both class 1c and
21 class 4c seasonal residential recreational property used for
22 commercial purposes, on the first day of September and on the
23 first day of October, an additional penalty of one percent shall
24 accrue and be charged on unpaid taxes. The remaining one-half
25 property taxes must be paid and penalties accrue as provided in
26 subdivision 1.

27 Sec. 54. [290.0621] [SCHOOL REFERENDUM TAX.]

28 Subdivision 1. [IMPOSITION.] In addition to all other
29 taxes imposed by this chapter, a tax is imposed on individuals
30 who are domiciled on the last day of the taxable year within the
31 territory of a school district in which the voters approved an
32 income tax increase at a referendum conducted under section
33 126C.17, subdivision 9, for that purpose in 2006 or a subsequent
34 year. This tax does not apply to referendums on bond issues.
35 Individuals domiciled in the district on the last day of the
36 taxable year are subject to the tax.

1 Subd. 2. [RATE.] The commissioner of revenue shall
2 annually determine the rate of the tax imposed under this
3 section as a percentage of the state income tax liability of
4 individuals subject to the tax by each district. The school
5 referendum tax rate is equal to the ratio of (i) the district's
6 local effort revenue under section 126C.17, subdivision 6b, to
7 (ii) the state income tax liability of all individuals domiciled
8 in the district on the last day of the previous taxable year.

9 Subd. 3. [REVENUE DISTRIBUTION.] Revenue raised in
10 subdivision 1 must be placed in a special account in the general
11 fund. The amount necessary to make payments to school districts
12 under this section is annually appropriated from the general
13 fund to the commissioner of education and must be paid to school
14 districts according to section 127A.45.

15 Sec. 55. Minnesota Statutes 2004, section 343.11, is
16 amended to read:

17 343.11 [ACQUISITION OF PROPERTY, APPROPRIATIONS.]

18 Every county and district society for the prevention of
19 cruelty to animals may acquire, by purchase, gift, grant, or
20 devise, and hold, use, or convey, real estate and personal
21 property, and lease, mortgage, sell, or use the same in any
22 manner conducive to its interest, to the same extent as natural
23 persons. The county board of any county, or the council of any
24 city, in which such societies exist, may, in its discretion,
25 appropriate for the maintenance and support of such societies in
26 the transaction of the work for which they are organized, any
27 sums of money not otherwise appropriated, not to exceed in any
28 one year the sum of \$4,800 or the sum of 50-cents \$1 per capita
29 based upon the county's or city's population as of the most
30 recent federal census, whichever is greater; provided, that no
31 part of the appropriation shall be expended for the payment of
32 the salary of any officer of the society.

33 [EFFECTIVE DATE.] This section is effective January 1, 2006.

34 Sec. 56. Minnesota Statutes 2004, section 462A.071,
35 subdivision 6, is amended to read:

36 Subd. 6. [SECTION 8, TAX CREDIT, AND RURAL HOUSING SERVICE

1 UNITS.] (a) The agency may deem units as meeting the
2 requirements of section 273.126 and this section, if the units:
3 ~~(1) are subject to a housing assistance payments contract~~
4 ~~under section 8 of the United States Housing Act of 1937, as~~
5 ~~amended;~~
6 ~~(2) are rent and income restricted units of a qualified~~
7 ~~low income housing project receiving tax credits under section~~
8 ~~42(g) of the Internal Revenue Code of 1986, as amended; or~~
9 ~~(3) are financed by the Rural Housing Service of the United~~
10 ~~States Department of Agriculture and receive payments under the~~
11 ~~rental assistance program pursuant to section 521(a) of the~~
12 ~~Housing Act of 1949, as amended~~ meet the requirements provided
13 in section 273.1321, subdivision 1.

14 (b) The agency may certify these deemed units under
15 subdivision 1 based on a simplified application procedure that
16 verifies the unit's qualifications under paragraph (a).

17 Sec. 57. Minnesota Statutes 2004, section 473F.08, is
18 amended by adding a subdivision to read:

19 Subd. 3c. [UNCOMPENSATED CARE REIMBURSEMENT.] (a) As used
20 in this subdivision, the following terms have the meanings given
21 in this paragraph.

22 (1) "Uncompensated care" means the sum of (i) the amount
23 that would have been charged by a facility for rendering free or
24 discounted care to persons who cannot afford to pay and for
25 which the facility did not expect payment and (ii) the amount
26 that had been charged by a facility for rendering care to
27 persons and billed to that person or a third-party payer for
28 which the facility expected but did not receive payment.
29 Uncompensated care does not include contractual write-offs.

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

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

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

1 (b) A county that contains a qualifying hospital is
2 eligible for reimbursement of that portion of gross charges for
3 uncompensated care determined by multiplying the hospital's
4 gross charges during the base year by the percentage of
5 uncompensated care provided by the hospital during the base year
6 minus one-half of one percent of those gross charges, dividing
7 the result by two, and adjusting to cost by multiplying that
8 result by the hospital's cost-to-charge ratio during the base
9 year. By July 15, 2006, and each subsequent year, the county
10 shall notify its county auditor, as well as the administrative
11 auditor, of the amount of qualifying uncompensated care
12 provided, adjusted to cost using the hospital's cost-to-charge
13 ratio, during the 12-month period ending on June 30 of the
14 current year.

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

19 (d) The administrative auditor shall pay one-half of the
20 reimbursement to the county auditor of the county that contains
21 the qualifying hospital on or before June 15 and the remaining
22 one-half of the reimbursement on or before November 15. The
23 county auditor receiving the payment shall disburse the
24 reimbursement to the qualifying hospital within 15 days of
25 receipt of the reimbursement.

26 (e) Prior to the reporting specified in paragraph (b)
27 above, all qualifying hospitals that participate in this program
28 shall agree upon and implement a common standard for reporting
29 uncompensated care, and a common standard for determining
30 eligibility for uncompensated care for all participating
31 hospitals.

32 [EFFECTIVE DATE.] This section is effective for fiscal
33 disparities contribution and distribution tax capacities for
34 taxes payable in 2007 and 2008 only.

35 Sec. 58. Minnesota Statutes 2004, section 473F.08, is
36 amended by adding a subdivision to read:

1 Subd. 3d. [HENNEPIN COUNTY PUBLIC DEFENDER COST
2 REIMBURSEMENT.] (a) Hennepin County is eligible for
3 reimbursement of costs incurred by the county under section
4 611.26, subdivision 3a, paragraph (c). By July 15, 2006, and
5 each subsequent year, the county shall notify the county auditor
6 and the administrative auditor, of the amount of that cost
7 incurred by the county during the 12-month period ending on June
8 30 of the current year.

9 (b) The reimbursement under this subdivision for costs
10 incurred during the 12-month period ending June 30, 2006, is
11 equal to 25 percent of those costs. The reimbursement under
12 this subdivision for costs incurred during the 12-month period
13 ending June 30, 2007, is equal to 50 percent of those costs.

14 (c) The amount certified under paragraph (b) shall be
15 certified annually by the Hennepin County auditor to the
16 administrative auditor as an addition to the county's areawide
17 levy under subdivision 5.

18 (d) The administrative auditor shall pay one-half of the
19 reimbursement to the Hennepin County auditor on or before June
20 15 and the remaining one-half of the reimbursement on or before
21 November 15.

22 [EFFECTIVE DATE.] This section is effective for fiscal
23 disparities contribution and distribution tax capacities for
24 taxes payable in 2007 and 2008 only.

25 Sec. 59. Minnesota Statutes 2004, section 477A.011,
26 subdivision 36, is amended to read:

27 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
28 provided in this subdivision, "city aid base" is zero.

29 (b) The city aid base for any city with a population less
30 than 500 is increased by \$40,000 for aids payable in calendar
31 year 1995 and thereafter, and the maximum amount of total aid it
32 may receive under section 477A.013, subdivision 9, paragraph
33 (c), is also increased by \$40,000 for aids payable in calendar
34 year 1995 only, provided that:

35 (i) the average total tax capacity rate for taxes payable
36 in 1995 exceeds 200 percent;

1 (ii) the city portion of the tax capacity rate exceeds 100
2 percent; and

3 (iii) its city aid base is less than \$60 per capita.

4 (c) The city aid base for a city is increased by \$20,000 in
5 1998 and thereafter and the maximum amount of total aid it may
6 receive under section 477A.013, subdivision 9, paragraph (c), is
7 also increased by \$20,000 in calendar year 1998 only, provided
8 that:

9 (i) the city has a population in 1994 of 2,500 or more;

10 (ii) the city is located in a county, outside of the
11 metropolitan area, which contains a city of the first class;

12 (iii) the city's net tax capacity used in calculating its
13 1996 aid under section 477A.013 is less than \$400 per capita;
14 and

15 (iv) at least four percent of the total net tax capacity,
16 for taxes payable in 1996, of property located in the city is
17 classified as railroad property.

18 (d) The city aid base for a city is increased by \$200,000
19 in 1999 and thereafter and the maximum amount of total aid it
20 may receive under section 477A.013, subdivision 9, paragraph
21 (c), is also increased by \$200,000 in calendar year 1999 only,
22 provided that:

23 (i) the city was incorporated as a statutory city after
24 December 1, 1993;

25 (ii) its city aid base does not exceed \$5,600; and

26 (iii) the city had a population in 1996 of 5,000 or more.

27 (e) The city aid base for a city is increased by \$450,000
28 in 1999 to 2008 and the maximum amount of total aid it may
29 receive under section 477A.013, subdivision 9, paragraph (c), is
30 also increased by \$450,000 in calendar year 1999 only, provided
31 that:

32 (i) the city had a population in 1996 of at least 50,000;

33 (ii) its population had increased by at least 40 percent in
34 the ten-year period ending in 1996; and

35 (iii) its city's net tax capacity for aids payable in 1998
36 is less than \$700 per capita.

1 (f) Beginning in 2004, the city aid base for a city is
2 equal to the sum of its city aid base in 2003 and the amount of
3 additional aid it was certified to receive under section 477A.06
4 in 2003. For 2004 only, the maximum amount of total aid a city
5 may receive under section 477A.013, subdivision 9, paragraph
6 (c), is also increased by the amount it was certified to receive
7 under section 477A.06 in 2003.

8 (g) The city aid base for a city is increased by \$150,000
9 for aids payable in 2000 and thereafter, and the maximum amount
10 of total aid it may receive under section 477A.013, subdivision
11 9, paragraph (c), is also increased by \$150,000 in calendar year
12 2000 only, provided that:

13 (1) the city has a population that is greater than 1,000
14 and less than 2,500;

15 (2) its commercial and industrial percentage for aids
16 payable in 1999 is greater than 45 percent; and

17 (3) the total market value of all commercial and industrial
18 property in the city for assessment year 1999 is at least 15
19 percent less than the total market value of all commercial and
20 industrial property in the city for assessment year 1998.

21 (h) The city aid base for a city is increased by \$200,000
22 in 2000 and thereafter, and the maximum amount of total aid it
23 may receive under section 477A.013, subdivision 9, paragraph
24 (c), is also increased by \$200,000 in calendar year 2000 only,
25 provided that:

26 (1) the city had a population in 1997 of 2,500 or more;

27 (2) the net tax capacity of the city used in calculating
28 its 1999 aid under section 477A.013 is less than \$650 per
29 capita;

30 (3) the pre-1940 housing percentage of the city used in
31 calculating 1999 aid under section 477A.013 is greater than 12
32 percent;

33 (4) the 1999 local government aid of the city under section
34 477A.013 is less than 20 percent of the amount that the formula
35 aid of the city would have been if the need increase percentage
36 was 100 percent; and

1 (5) the city aid base of the city used in calculating aid
2 under section 477A.013 is less than \$7 per capita.

3 (i) The city aid base for a city is increased by \$102,000
4 in 2000 and thereafter, and the maximum amount of total aid it
5 may receive under section 477A.013, subdivision 9, paragraph
6 (c), is also increased by \$102,000 in calendar year 2000 only,
7 provided that:

8 (1) the city has a population in 1997 of 2,000 or more;

9 (2) the net tax capacity of the city used in calculating
10 its 1999 aid under section 477A.013 is less than \$455 per
11 capita;

12 (3) the net levy of the city used in calculating 1999 aid
13 under section 477A.013 is greater than \$195 per capita; and

14 (4) the 1999 local government aid of the city under section
15 477A.013 is less than 38 percent of the amount that the formula
16 aid of the city would have been if the need increase percentage
17 was 100 percent.

18 (j) The city aid base for a city is increased by \$32,000 in
19 2001 and thereafter, and the maximum amount of total aid it may
20 receive under section 477A.013, subdivision 9, paragraph (c), is
21 also increased by \$32,000 in calendar year 2001 only, provided
22 that:

23 (1) the city has a population in 1998 that is greater than
24 200 but less than 500;

25 (2) the city's revenue need used in calculating aids
26 payable in 2000 was greater than \$200 per capita;

27 (3) the city net tax capacity for the city used in
28 calculating aids available in 2000 was equal to or less than
29 \$200 per capita;

30 (4) the city aid base of the city used in calculating aid
31 under section 477A.013 is less than \$65 per capita; and

32 (5) the city's formula aid for aids payable in 2000 was
33 greater than zero.

34 (k) The city aid base for a city is increased by \$7,200 in
35 2001 and thereafter, and the maximum amount of total aid it may
36 receive under section 477A.013, subdivision 9, paragraph (c), is

1 also increased by \$7,200 in calendar year 2001 only, provided
2 that:

3 (1) the city had a population in 1998 that is greater than
4 200 but less than 500;

5 (2) the city's commercial industrial percentage used in
6 calculating aids payable in 2000 was less than ten percent;

7 (3) more than 25 percent of the city's population was 60
8 years old or older according to the 1990 census;

9 (4) the city aid base of the city used in calculating aid
10 under section 477A.013 is less than \$15 per capita; and

11 (5) the city's formula aid for aids payable in 2000 was
12 greater than zero.

13 (1) The city aid base for a city is increased by \$45,000 in
14 2001 and thereafter and by an additional \$50,000 in calendar
15 years 2002 to 2011, and the maximum amount of total aid it may
16 receive under section 477A.013, subdivision 9, paragraph (c), is
17 also increased by \$45,000 in calendar year 2001 only, and by
18 \$50,000 in calendar year 2002 only, provided that:

19 (1) the net tax capacity of the city used in calculating
20 its 2000 aid under section 477A.013 is less than \$810 per
21 capita;

22 (2) the population of the city declined more than two
23 percent between 1988 and 1998;

24 (3) the net levy of the city used in calculating 2000 aid
25 under section 477A.013 is greater than \$240 per capita; and

26 (4) the city received less than \$36 per capita in aid under
27 section 477A.013, subdivision 9, for aids payable in 2000.

28 The city aid base for a city described in this paragraph is
29 also increased by \$250,000 in calendar years 2006 to 2015, and
30 the maximum amount of total aid it may receive under section
31 477A.013, subdivision 9, paragraph (c), is also increased by
32 \$250,000 in calendar year 2006 only.

33 (m) The city aid base for a city with a population of
34 10,000 or more which is located outside of the seven-county
35 metropolitan area is increased in 2002 and thereafter, and the
36 maximum amount of total aid it may receive under section

1 477A.013, subdivision 9, paragraph (b) or (c), is also increased
2 in calendar year 2002 only, by an amount equal to the lesser of:

3 (1) (i) the total population of the city, as determined by
4 the United States Bureau of the Census, in the 2000 census, (ii)
5 minus 5,000, (iii) times 60; or

6 (2) \$2,500,000.

7 (n) The city aid base is increased by \$50,000 in 2002 and
8 thereafter, and the maximum amount of total aid it may receive
9 under section 477A.013, subdivision 9, paragraph (c), is also
10 increased by \$50,000 in calendar year 2002 only, provided that:

11 (1) the city is located in the seven-county metropolitan
12 area;

13 (2) its population in 2000 is between 10,000 and 20,000;
14 and

15 (3) its commercial industrial percentage, as calculated for
16 city aid payable in 2001, was greater than 25 percent.

17 (o) The city aid base for a city is increased by \$150,000
18 in calendar years 2002 to 2011 and the maximum amount of total
19 aid it may receive under section 477A.013, subdivision 9,
20 paragraph (c), is also increased by \$150,000 in calendar year
21 2002 only, provided that:

22 (1) the city had a population of at least 3,000 but no more
23 than 4,000 in 1999;

24 (2) its home county is located within the seven-county
25 metropolitan area;

26 (3) its pre-1940 housing percentage is less than 15
27 percent; and

28 (4) its city net tax capacity per capita for taxes payable
29 in 2000 is less than \$900 per capita.

30 (p) The city aid base for a city is increased by \$200,000
31 beginning in calendar year 2003 and the maximum amount of total
32 aid it may receive under section 477A.013, subdivision 9,
33 paragraph (c), is also increased by \$200,000 in calendar year
34 2003 only, provided that the city qualified for an increase in
35 homestead and agricultural credit aid under Laws 1995, chapter
36 264, article 8, section 18.

1 (q) The city aid base for a city is increased by \$200,000
2 in 2004 only and the maximum amount of total aid it may receive
3 under section 477A.013, subdivision 9, is also increased by
4 \$200,000 in calendar year 2004 only, if the city is the site of
5 a nuclear dry cask storage facility.

6 (r) The city aid base for a city is increased by \$10,000 in
7 2004 and thereafter and the maximum total aid it may receive
8 under section 477A.013, subdivision 9, is also increased by
9 \$10,000 in calendar year 2004 only, if the city was included in
10 a federal major disaster designation issued on April 1, 1998,
11 and its pre-1940 housing stock was decreased by more than 40
12 percent between 1990 and 2000.

13 Sec. 60. Minnesota Statutes 2004, section 477A.11,
14 subdivision 4, is amended to read:

15 Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural
16 resources land" means+

17 ~~(1)~~ any other land presently owned in fee title by the
18 state and administered by the commissioner, or any tax-forfeited
19 land, other than platted lots within a city or those lands
20 described under subdivision 3, clause (2), which is owned by the
21 state and administered by the commissioner or by the county in
22 which it is located, and

23 ~~(2) land leased by the state from the United States of~~
24 ~~America through the United States Secretary of Agriculture~~
25 ~~pursuant to Title III of the Bankhead Jones Farm Tenant Act,~~
26 ~~which land is commonly referred to as land utilization project~~
27 ~~land that is administered by the commissioner.~~

28 [EFFECTIVE DATE.] This section is effective for aids
29 payable in 2006 and thereafter.

30 Sec. 61. Minnesota Statutes 2004, section 477A.11, is
31 amended by adding a subdivision to read:

32 Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land
33 utilization project land" means land that is leased by the state
34 from the United States through the United States Secretary of
35 Agriculture according to Title III of the Bankhead Jones Farm
36 Tenant Act and that is administered by the commissioner.

1 Sec. 62. Minnesota Statutes 2004, section 477A.12,
2 subdivision 1, is amended to read:

3 Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) As an offset
4 for expenses incurred by counties and towns in support of
5 natural resources lands, the following amounts are annually
6 appropriated to the commissioner of natural resources from the
7 general fund for transfer to the commissioner of revenue. The
8 commissioner of revenue shall pay the transferred funds to
9 counties as required by sections 477A.11 to 477A.145. The
10 amounts are:

11 (1) for acquired natural resources land, \$3, as adjusted
12 for inflation under section 477A.145, multiplied by the total
13 number of acres of acquired natural resources land or, at the
14 county's option three-fourths of one percent of the appraised
15 value of all acquired natural resources land in the county,
16 whichever is greater;

17 (2) \$3, as adjusted for inflation under section 477A.145,
18 multiplied by the total number of acres of land utilization
19 project land;

20 (3) 75 cents, as adjusted for inflation under section
21 477A.145, multiplied by the number of acres of
22 county-administered other natural resources land; and

23 ~~(3)~~ (4) 37.5 cents, as adjusted for inflation under section
24 477A.145, multiplied by the number of acres of
25 commissioner-administered other natural resources land located
26 in each county as of July 1 of each year prior to the payment
27 year.

28 (b) The amount determined under paragraph (a), clause (1),
29 is payable for land that is acquired from a private owner and
30 owned by the Department of Transportation for the purpose of
31 replacing wetland losses caused by transportation projects, but
32 only if the county contains more than 500 acres of such land at
33 the time the certification is made under subdivision 2.

34 [EFFECTIVE DATE.] This section is effective for aids
35 payable in 2006 and thereafter.

36 Sec. 63. Minnesota Statutes 2004, section 477A.12,

1 subdivision 2, is amended to read:

2 Subd. 2. [PROCEDURE.] Lands for which payments in lieu are
3 made pursuant to section 97A.061, subdivision 3, and Laws 1973,
4 chapter 567, shall not be eligible for payments under this
5 section. Each county auditor shall certify to the Department of
6 Natural Resources during July of each year prior to the payment
7 year the number of acres of county-administered other natural
8 resources land within the county. The Department of Natural
9 resources may, in addition to the certification of acreage,
10 require descriptive lists of land so certified. The
11 commissioner of natural resources shall determine and certify to
12 the commissioner of revenue by March 1 of the payment year:

13 (1) the number of acres and most recent appraised value of
14 acquired natural resources land within each county;

15 (2) the number of acres of commissioner-administered
16 natural resources land within each county; and

17 (3) the number of acres of county-administered other
18 natural resources land within each county, based on the reports
19 filed by each county auditor with the commissioner of natural
20 resources; and

21 (4) the number of acres of land utilization project land
22 within each county and the net proceeds from timber sales on
23 land utilization project lands in each county.

24 The commissioner of transportation shall determine and
25 certify to the commissioner of revenue by March 1 of the payment
26 year the number of acres of land and the appraised value of the
27 land described in subdivision 1, paragraph (b), but only if it
28 exceeds 500 acres.

29 The commissioner of revenue shall determine the
30 distributions provided for in this section using the number of
31 acres and appraised values certified by the commissioner of
32 natural resources and the commissioner of transportation by
33 March 1 of the payment year.

34 [EFFECTIVE DATE.] This section is effective for aids
35 payable in 2006 and thereafter.

36 Sec. 64. Minnesota Statutes 2004, section 477A.14,

1 subdivision 1, is amended to read:

2 Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided
3 in subdivision 2 or in section 97A.061, subdivision 5, 40
4 percent of the total payment to the county shall be deposited in
5 the county general revenue fund to be used to provide property
6 tax levy reduction. The remainder shall be distributed by the
7 county in the following priority:

8 (a) 37.5 cents, as adjusted for inflation under section
9 477A.145, for each acre of county-administered other natural
10 resources land shall be deposited in a resource development fund
11 to be created within the county treasury for use in resource
12 development, forest management, game and fish habitat
13 improvement, and recreational development and maintenance of
14 county-administered other natural resources land. Any county
15 receiving less than \$5,000 annually for the resource development
16 fund may elect to deposit that amount in the county general
17 revenue fund;

18 (b) From the funds remaining, within 30 days of receipt of
19 the payment to the county, the county treasurer shall pay each
20 organized township 30 cents, as adjusted for inflation under
21 section 477A.145, for each acre of acquired natural resources
22 land, each acre of land utilization project land, and each acre
23 of land described in section 477A.12, subdivision 1, paragraph
24 (b), and 7.5 cents, as adjusted for inflation under section
25 477A.145, for each acre of other natural resources land located
26 within its boundaries. Payments for natural resources lands not
27 located in an organized township shall be deposited in the
28 county general revenue fund. Payments to counties and townships
29 pursuant to this paragraph shall be used to provide property tax
30 levy reduction, except that of the payments for natural
31 resources lands not located in an organized township, the county
32 may allocate the amount determined to be necessary for
33 maintenance of roads in unorganized townships. Provided that,
34 if the total payment to the county pursuant to section 477A.12
35 is not sufficient to fully fund the distribution provided for in
36 this clause, the amount available shall be distributed to each

1 township and the county general revenue fund on a pro rata
2 basis; and

3 (c) Any remaining funds shall be deposited in the county
4 general revenue fund. Provided that, if the distribution to the
5 county general revenue fund exceeds \$35,000, the excess shall be
6 used to provide property tax levy reduction.

7 [EFFECTIVE DATE.] This section is effective for aids
8 payable in 2006 and thereafter.

9 Sec. 65. Laws 1998, chapter 389, article 3, section 41, is
10 amended to read:

11 Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

12 Notwithstanding Minnesota Statutes, chapter 429, a city may
13 defer the payment of any special assessment levied against a
14 property qualifying under section 38 as determined by the city.
15 Any special assessment, the payment of which has been deferred
16 by the city, must be paid in full or a payment agreement may be
17 approved by the city if the ownership of property is transferred
18 to anyone or any entity. Payment or a payment agreement must be
19 made within 60 days of the transfer of ownership.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 66. Laws 1998, chapter 389, article 3, section 42,
23 subdivision 2, as amended by Laws 2002, chapter 377, article 4,
24 section 24, is amended to read:

25 Subd. 2. [RECAPTURE.] (a) Property or any portion thereof
26 qualifying under section 38 is subject to additional taxes if:

27 (1) ownership of the property is transferred to anyone
28 other than the spouse or child of the current owner;

29 (2) the current owner or the spouse or child of the current
30 owner has not conveyed or entered into a contract before July 1,
31 2007, to convey for ownership or public easement rights, (i) a
32 portion of the property to a one or more nonprofit foundation
33 foundations or corporation-operating corporations; and (ii) a
34 portion of the property to one or more local governments; and
35 those entities shall separately or jointly operate the property
36 as an art park providing the services included in section 38,

1 clauses (2) to (5), and may also use some of the property for
 2 other public purposes as determined by the local governments; or

3 (3) the nonprofit foundation or corporation to which a
 4 portion of the property was transferred ceases to provide the
 5 services included in section 38, clauses (2) to (5), earlier
 6 than ten years following the effective date of the ~~conveyance~~
 7 conveyances or of the execution of the ~~contract~~ contracts to
 8 convey.

9 (b) The additional taxes are imposed at the earlier of (1)
 10 the year following transfer of ownership to anyone other than
 11 the spouse or child of the current owner or a nonprofit
 12 foundation or corporation or local government operating the
 13 property as an art park and used for other public purposes, or
 14 (2) for taxes payable in 2008, or (3) in the event the nonprofit
 15 foundation or corporation to which a portion of the property was
 16 conveyed ceases to provide the required services within ten
 17 years after the conveyance, for taxes payable in the year
 18 following the year when it ceased to do so.

19 The county board, with the approval of the city council,
 20 shall determine the amount of the additional taxes due on the
 21 portion of property which is no longer utilized as an art park;
 22 provided, however, that the additional taxes are equal to must
 23 not be greater than the difference between the taxes determined
 24 on that portion of the property utilized as an art park under
 25 sections 39 and 40 and the amount determined under subdivision 1
 26 for all years that the property qualified under section 38. ~~The~~
 27 ~~additional taxes must be extended against the property on the~~
 28 ~~tax list for the current year; provided, however, that~~ No
 29 interest or penalties may be levied on the additional ~~taxes if~~
 30 ~~timely paid~~ amount provided that it is paid within 30 days of
 31 the county's notice.

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

34 Sec. 67. Laws 2001, First Special Session chapter 5,
 35 article 3, section 8, the effective date, is amended to read:

36 **[EFFECTIVE DATE.]** This section is effective for taxes

1 levied in 2002, payable in 2003, through taxes levied in 2007
2 2009, payable in ~~2008~~ 2010.

3 Sec. 68. Laws 2003, chapter 127, article 12, section 38,
4 is amended to read:

5 Sec. 38. [~~MEMBERS-MUST~~ AUTHORITY TO LEVY TAXES FOR
6 AUTHORITY.]

7 ~~(a)-A member shall, at the request of the authority, levy a~~
8 ~~tax in any year for the benefit of the authority. The authority~~
9 is a special taxing district as defined in Minnesota Statutes,
10 section 275.066, clause (13), with the power to adopt and
11 certify a property tax levy to the county auditor. The
12 authority may levy a tax in any year for the benefit of the
13 authority. The tax is, for each member, is a pro rata portion
14 of the total amount of tax requested by the authority based on
15 the taxable market value within a the member's jurisdiction, but
16 in no event may the tax in any year exceed 0.01813 percent of
17 taxable market value. For purposes of this section, "taxable
18 market value" has the meaning as given in Minnesota Statutes,
19 section 273.032.

20 ~~(b)-The treasurer of each member city or town shall, within~~
21 ~~15 days after receiving the property tax settlements from the~~
22 ~~county treasurer, pay to the treasurer of the authority the~~
23 ~~amount collected for this purpose. The money must be used by~~
24 ~~the authority for the purposes provided by sections 35 to 41.~~

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

27 Sec. 69. Laws 2003, First Special Session chapter 21,
28 article 4, section 12, subdivision 11, is amended to read:

29 Subd. 11. [EFFECTIVE DATE; LOCAL APPROVAL.] This section
30 is effective the day after the governing body of St. Louis
31 county and its chief clerical officer timely complete their
32 compliance with Minnesota Statutes, section 645.021,
33 subdivisions 2 and 3, provided that the certificate of approval
34 is filed with the secretary of state before January 1, 2006.

35 ~~If effective before September 17, 2003, the first levy is~~
36 ~~the payable 2004 levy; if effective between September 17, 2003,~~

1 ~~and-September-17-2004,-the-first-levy-is-the-payable-2005-levy,~~
2 If effective after ~~August-31-2004,~~ before September 1, 2005,
3 the first levy is the payable 2006 levy; and if effective after
4 August 31, 2005, the first levy is the payable 2007 levy.

5 Sec. 70. [PROPERTY USED FOR EDUCATIONAL INSTRUCTION.]

6 Notwithstanding Minnesota Statutes, section 272.02,
7 subdivision 38, paragraph (b), the following property is exempt
8 from taxation for assessment year 2004, for taxes payable in
9 2005, if it meets all the following criteria:

10 (1) is used to provide direct educational instruction for
11 grades 7 through 12;

12 (2) is located in a city of the first class that has a
13 population greater than 250,000 and less than 350,000;

14 (3) was purchased after July 1, 2004, by a nonprofit that
15 is exempt from federal income tax under section 501(c)(3) of the
16 Internal Revenue Code; and

17 (4) is leased and operated by two nonprofit corporations
18 organized under Minnesota Statutes, chapter 317A.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 71. [EDUCATION RESERVE ACCOUNT; APPROPRIATION.]

22 (a) There is created in the state treasury an education
23 reserve account as a special revenue fund for deposit of
24 appropriations and other receipts as provided by law.

25 (b) Beginning with taxes payable in 2008, the commissioner
26 of finance shall deposit in the education reserve account the
27 increased amount of the state general levy for that year over
28 the state general levy base amount for taxes payable in 2002,
29 under Minnesota Statutes, section 275.025.

30 (c) Each year, one-half of the annual amount will be
31 deposited in the education reserve account in the state fiscal
32 year corresponding to the first six months of the calendar year,
33 and the other half will be deposited in the state fiscal year
34 corresponding to the last six months of the calendar year. The
35 amounts in the education reserve account do not lapse or cancel
36 each year, but remain until appropriated by law for education

1 aid or higher education funding.

2 Sec. 72. [STUDY OF POLLUTION CONTROL EXEMPTION.]

3 The commissioner of revenue must study the application of
4 the property tax exemption provided under Minnesota Statutes,
5 section 272.02, subdivision 10, to personal property used for
6 pollution control as part of an electric generation system. The
7 commissioner must present a recommendation to the legislature by
8 January 15, 2006, that would limit the exemption to property
9 that is directly and exclusively used for pollution control
10 purposes.

11 Sec. 73. [SAUK RIVER WATERSHED DISTRICT.]

12 Notwithstanding Minnesota Statutes, section 103D.905,
13 subdivision 3, the Sauk River Watershed District may annually
14 levy up to 0.01 percent of taxable market value for its
15 administrative fund.

16 [EFFECTIVE DATE.] This section is effective, without local
17 approval, for taxes levied in 2005, payable in 2006, and
18 thereafter.

19 Sec. 74. [COMMERCIAL-INDUSTRIAL LAND VALUE TAXATION; LOCAL
20 OPTION.]

21 The governing body of any municipality that has a
22 population in excess of 70,000, or any municipality located in
23 the taconite tax relief area defined in Minnesota Statutes,
24 section 273.134, may by resolution adopt a system of valuing
25 commercial-industrial property in its jurisdiction that is based
26 on the value of the land, not including improvements. The
27 governing body may make the election under this section if it
28 finds that implementation of the land value system will enhance
29 economic development in the city. An election under this
30 section must be made by December 31, 2005. If any municipality
31 makes the election, it must notify the commissioner of revenue
32 of the election and the legislature must enact during the 2006
33 legislative session the legislation necessary to implement the
34 system for taxes levied in 2006, payable in 2007, and thereafter.

35 Sec. 75. [STUDY REQUIRED.]

36 By February 1, 2006, the fiscal staff of the house of

1 representatives and senate shall conduct a study of the
2 metropolitan revenue distribution program contained in Minnesota
3 Statutes, chapter 473F, commonly known as the fiscal disparities
4 program, and shall make a report by March 1, 2006, to the chairs
5 of the house and senate tax committees consisting of the
6 findings of the study and any recommendations resulting from the
7 study.

8 The study shall primarily address the question of whether
9 the program is achieving the purposes for which it was created.

10 Additionally, the study shall address the following questions:

11 (1) How has the program affected property tax disparities
12 across the Twin Cities metropolitan area?

13 (2) Is the formula for contributing tax base to the
14 areawide pool reasonable? Should certain commercial-industrial
15 tax base continue to be exempt from contribution to the areawide
16 pool, such as tax base in existence prior to 1979, tax base in
17 tax increment financing districts established before 1979, and
18 tax base located at the Minneapolis-St. Paul International
19 Airport? Should contribution amounts be adjusted for
20 differences in sales ratios between communities?

21 (3) Is the formula for distributing tax base from the
22 areawide pool reasonable? Should the formula reflect measures
23 of need in addition to population? Should the distribution
24 formula be based on tax capacity rather than market value?

25 (4) Does the program help promote orderly growth and
26 encourage environmentally sound land use?

27 (5) Does the program reduce competition for
28 commercial-industrial tax base between communities? Is reduced
29 competition for commercial-industrial tax base desirable?

30 (6) Do local governments derive sufficient tax revenues
31 from commercial-industrial property to cover the costs of
32 providing services to the property, considering the tax base
33 that must be contributed to the areawide pool?

34 (7) Could improvements be made in the administration of the
35 program?

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

1 Sec. 76. [FEE STUDIES.]

2 Subdivision 1. [STATE AGENCY FEES.] The commissioner of
3 each state agency that imposes any fee on individuals or
4 businesses in this state must report to the commissioner of
5 revenue by January 15, 2006, on the type and amount of fees
6 imposed, amount and type of fee increases since January 1, 2003,
7 the revenues derived from each fee for each of the most recent
8 four fiscal years, and the use of the revenues from the fees.
9 The commissioner of revenue shall compile this information and
10 provide a comprehensive report on all state agency fees to the
11 finance and tax committees of the senate and the appropriations
12 and tax committees of the house of representatives by February
13 15, 2006.

14 Subd. 2. [SCHOOL FEES.] By January 15, 2006, the
15 Department of Education shall provide the house and senate
16 education finance divisions and tax committees with a report
17 that examines the total annual fees collected under Minnesota
18 Public School Fee Law, Minnesota Statutes, sections 123B.34 to
19 123B.39, in fiscal years 2002 to 2005. The report must detail
20 all different types of fees charged to Minnesota students under
21 the law. The report must report total fees statewide as well as
22 by school district and charter school.

23 Subd. 3. [CITY FEES.] Each home rule charter or statutory
24 city must report to the commissioner of revenue by January 15,
25 2006, on the type and amount of fees it imposes, amount and type
26 of fee increases since January 1, 2003, the revenues derived
27 from each fee for each of the most recent four calendar years,
28 and the use of the revenues from the fees. The commissioner of
29 revenue shall compile this information and provide a
30 comprehensive report on all city fees to the finance and tax
31 committees of the senate and the appropriations and tax
32 committees of the house of representatives by February 15, 2006.

33 ARTICLE 5

34 LOCAL DEVELOPMENT

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

1 Subd. 3. [BUSINESS SUBSIDY.] "Business subsidy" or
2 "subsidy" means a state or local government agency grant,
3 contribution of personal property, real property,
4 infrastructure, the principal amount of a loan at rates below
5 those commercially available to the recipient, any reduction or
6 deferral of any tax or any fee, any guarantee of any payment
7 under any loan, lease, or other obligation, or any preferential
8 use of government facilities given to a business.

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

- 11 (1) a business subsidy of less than \$25,000;
- 12 (2) assistance that is generally available to all
13 businesses or to a general class of similar businesses, such as
14 a line of business, size, location, or similar general criteria;
- 15 (3) public improvements to buildings or lands owned by the
16 state or local government that serve a public purpose and do not
17 principally benefit a single business or defined group of
18 businesses at the time the improvements are made;
- 19 (4) redevelopment property polluted by contaminants as
20 defined in section 116J.552, subdivision 3;
- 21 (5) assistance provided for the sole purpose of renovating
22 old or decaying building stock or bringing it up to code and
23 assistance provided for designated historic preservation
24 districts, provided that the assistance is equal to or less than
25 50 percent of the total cost;
- 26 (6) assistance to provide job readiness and training
27 services if the sole purpose of the assistance is to provide
28 those services, except when such assistance is paid for by
29 expenditures of tax increments under section 469.176,
30 subdivision 4m;
- 31 (7) assistance for housing;
- 32 (8) assistance for pollution control or abatement,
33 including assistance for a tax increment financing hazardous
34 substance subdistrict as defined under section 469.174,
35 subdivision 23;
- 36 (9) assistance for energy conservation;

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

3 (11) workers' compensation and unemployment compensation;

4 (12) benefits derived from regulation;

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

7 (14) funds from bonds allocated under chapter 474A, bonds
8 issued to refund outstanding bonds, and bonds issued for the
9 benefit of an organization described in section 501(c)(3) of the
10 Internal Revenue Code of 1986, as amended through December 31,
11 1999;

12 (15) assistance for a collaboration between a Minnesota
13 higher education institution and a business;

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

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

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

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

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

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

29 (22) federal loan funds provided through the United States
30 Department of Commerce, Economic Development Administration.

31 Sec. 2. Minnesota Statutes 2004, section 116J.993, is
32 amended by adding a subdivision to read:

33 Subd. 8. [RESIDENCE.] "Residence" means the place where an
34 individual has established a permanent home from which the
35 individual has no present intention of moving.

36 Sec. 3. Minnesota Statutes 2004, section 116J.994,

1 subdivision 4, is amended to read:

2 Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in
3 addition to any other goals, must include: (1) goals for the
4 number of jobs created, which may include separate goals for the
5 number of part-time or full-time jobs, or, in cases where job
6 loss is specific and demonstrable, goals for the number of jobs
7 retained; (2) wage goals for any jobs created or retained; and
8 (3) wage goals for any jobs to be enhanced through increased
9 wages. After a public hearing, if the creation or retention of
10 jobs is determined not to be a goal, the wage and job goals may
11 be set at zero. The goals for the number of jobs to be created
12 or retained must result in job creation or retention by the
13 recipient within the granting jurisdiction overall.

14 In addition to other specific goal time frames, the wage
15 and job goals must contain specific goals to be attained within
16 two years of the benefit date.

17 [EFFECTIVE DATE.] This section is effective August 1, 2005,
18 and applies to subsidy agreements entered into on or after that
19 date.

20 Sec. 4. Minnesota Statutes 2004, section 116J.994,
21 subdivision 5, is amended to read:

22 Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting
23 a business subsidy that exceeds \$500,000 for a state government
24 grantor and \$100,000 for a local government grantor, the grantor
25 must provide public notice and a hearing on the subsidy. A
26 public hearing and notice under this subdivision is not required
27 if a hearing and notice on the subsidy is otherwise required by
28 law.

29 (b) Public notice of a proposed business subsidy under this
30 subdivision by a state government grantor, other than the Iron
31 Range Resources and Rehabilitation Board, must be published in
32 the State Register. Public notice of a proposed business
33 subsidy under this subdivision by a local government grantor or
34 the Iron Range Resources and Rehabilitation Board must be
35 published in a local newspaper of general circulation. The
36 public notice must identify the location at which information

1 about the business subsidy, including a summary of the terms of
2 the subsidy, is available. Published notice should be
3 sufficiently conspicuous in size and placement to distinguish
4 the notice from the surrounding text. The grantor must make the
5 information available in printed paper copies and, if possible,
6 on the Internet. The government agency must provide at least a
7 ten-day notice for the public hearing.

8 (c) The public notice must include the date, time, and
9 place of the hearing.

10 (d) The public hearing by a state government grantor other
11 than the Iron Range Resources and Rehabilitation Board must be
12 held in St. Paul.

13 (e) If more than one nonstate grantor provides a business
14 subsidy to the same recipient, the nonstate grantors may
15 designate one nonstate grantor to hold a single public hearing
16 regarding the business subsidies provided by all nonstate
17 grantors. For the purposes of this paragraph, "nonstate
18 grantor" includes the iron range resources and rehabilitation
19 board.

20 (f) The public notice of any public meeting about a
21 business subsidy agreement, including those required by this
22 subdivision and by subdivision 4, must include notice that a
23 person with residence in or the owner of taxable property in the
24 granting jurisdiction may file a written complaint with the
25 grantor if the grantor fails to comply with sections 116J.993 to
26 116J.995, and that no action may be filed against the grantor
27 for such failure to comply unless a written complaint is filed.

28 Sec. 5. Minnesota Statutes 2004, section 116J.994,
29 subdivision 9, is amended to read:

30 Subd. 9. [COMPILATION AND SUMMARY REPORT.] The Department
31 of Employment and Economic Development must publish a
32 compilation and summary of the results of the reports for the
33 previous two calendar years by December 1 of 2004 and every
34 other year thereafter. The reports of the government agencies
35 to the department and the compilation and summary report of the
36 department must be made available to the public. The

1 commissioner must make copies of all business subsidy reports
2 submitted by local and state granting agencies available on the
3 department's Web site by October 1 of the year in which they
4 were submitted.

5 The commissioner must coordinate the production of reports
6 so that useful comparisons across time periods and across
7 grantors can be made. The commissioner may add other
8 information to the report as the commissioner deems necessary to
9 evaluate business subsidies. Among the information in the
10 summary and compilation report, the commissioner must include:

11 (1) total amount of subsidies awarded in each development
12 region of the state;

13 (2) distribution of business subsidy amounts by size of the
14 business subsidy;

15 (3) distribution of business subsidy amounts by time
16 category;

17 (4) distribution of subsidies by type and by public
18 purpose;

19 (5) percent of all business subsidies that reached their
20 goals;

21 (6) percent of business subsidies that did not reach their
22 goals by two years from the benefit date;

23 (7) total dollar amount of business subsidies that did not
24 meet their goals after two years from the benefit date;

25 (8) percent of subsidies that did not meet their goals and
26 that did not receive repayment;

27 (9) list of recipients that have failed to meet the terms
28 of a subsidy agreement in the past five years and have not
29 satisfied their repayment obligations;

30 (10) number of part-time and full-time jobs within separate
31 bands of wages; and

32 (11) benefits paid within separate bands of wages.

33 Sec. 6. Minnesota Statutes 2004, section 116J.994, is
34 amended by adding a subdivision to read:

35 Subd. 11. [ENFORCEMENT.] (a) A person with residence in or
36 an owner of taxable property located in the jurisdiction of the

1 grantor may bring an action for equitable relief arising out of
2 the failure of the grantor to comply with sections 116J.993 to
3 116J.995. The court may award a prevailing party in an action
4 under this subdivision costs and reasonable attorney fees.

5 (b) Prior to bringing an action, the party must file a
6 written complaint with the grantor stating the alleged violation
7 and proposing a remedy. The grantor has up to 30 days to reply
8 to the complaint in writing and may take action to comply with
9 sections 116J.993 to 116J.995.

10 (c) The written complaint under this subdivision for
11 failure to comply with subdivisions 1 to 5, must be filed with
12 the grantor within 180 days after approval of the subsidy
13 agreement under subdivision 3, paragraph (d). An action under
14 this subdivision must be commenced within 30 days following
15 receipt of the grantor's reply, or within 180 days after
16 approval of the subsidy agreement under subdivision 3, paragraph
17 (d), whichever is later.

18 [EFFECTIVE DATE.] This section is effective August 1, 2005,
19 and applies to subsidy agreements entered into on or after that
20 date.

21 Sec. 7. Minnesota Statutes 2004, section 161.1231, is
22 amended by adding a subdivision to read:

23 Subd. 11. [TRANSFER OF OWNERSHIP.] The commissioner shall,
24 at the earliest feasible date after receiving payment, transfer
25 ownership of the parking facilities to the city of Minneapolis.
26 The payment must be equal to the amount of state funds spent by
27 the commissioner for construction of the facilities. Upon
28 assuming ownership of the facilities, the city shall operate the
29 facilities in accordance with the rules adopted by the
30 commissioner under subdivision 2. Upon assumption of ownership,
31 the city shall assume the authority to collect fees for use of
32 the facilities under subdivision 5. The commissioner shall take
33 no action under this section that would result in federal
34 sanctions against Minnesota or require the repayment of any
35 state funds to the federal government. The commissioner shall
36 deposit all money received under this subdivision in the trunk

1 highway fund.

2 [EFFECTIVE DATE.] This section is effective the day after
3 the governing body of the city of Minneapolis and its chief
4 clerical officer comply with Minnesota Statutes, section
5 645.021, subdivisions 2 and 3.

6 Sec. 8. Minnesota Statutes 2004, section 272.0212,
7 subdivision 1, is amended to read:

8 Subdivision 1. [EXEMPTION.] All qualified property in a
9 zone is exempt to the extent and for a period up to the duration
10 provided by the zone designation and under sections 469.1731 to
11 469.1735.

12 [EFFECTIVE DATE.] This section is effective for development
13 agreements approved after the day following final enactment and
14 beginning for property taxes payable in 2006.

15 Sec. 9. Minnesota Statutes 2004, section 272.0212,
16 subdivision 2, is amended to read:

17 Subd. 2. [LIMITS ON EXEMPTION.] (a) Property in a zone is
18 not exempt under this section from the following:

19 (1) special assessments;

20 (2) ad valorem property taxes specifically levied for the
21 payment of principal and interest on debt obligations; and

22 (3) all taxes levied by a school district, except school
23 referendum levies as defined in section 126C.17.

24 (b) The city may limit the property tax exemption to a
25 shorter period than the duration of the zone or to a percentage
26 of the property taxes payable or both.

27 [EFFECTIVE DATE.] This section is effective for development
28 agreements approved after the day following final enactment and
29 beginning for property taxes payable in 2006.

30 Sec. 10. Minnesota Statutes 2004, section 469.034,
31 subdivision 2, is amended to read:

32 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
33 authority may pledge the general obligation of the general
34 jurisdiction governmental unit as additional security for bonds
35 payable from income or revenues of the project or the
36 authority. The authority must find that the pledged revenues

1 will equal or exceed 110 percent of the principal and interest
2 due on the bonds for each year. The proceeds of the bonds must
3 be used for a qualified housing development project or
4 projects. The obligations must be issued and sold in the manner
5 and following the procedures provided by chapter 475, except the
6 obligations are not subject to approval by the electors and the
7 maturities may extend to not more than 30 years from the
8 estimated date of completion of the project. The authority is
9 the municipality for purposes of chapter 475.

10 (b) The principal amount of the issue must be approved by
11 the governing body of the general jurisdiction governmental unit
12 whose general obligation is pledged. Public hearings must be
13 held on issuance of the obligations by both the authority and
14 the general jurisdiction governmental unit. The hearings must
15 be held at least 15 days, but not more than 120 days, before the
16 sale of the obligations.

17 (c) The maximum amount of general obligation bonds that may
18 be issued and outstanding under this section equals the greater
19 of (1) one-half of one percent of the taxable market value of
20 the general jurisdiction governmental unit whose general
21 obligation which includes a tax on property is pledged, or (2)
22 \$3,000,000. In the case of county or multicounty general
23 obligation bonds, the outstanding general obligation bonds of
24 all cities in the county or counties issued under this
25 subdivision must be added in calculating the limit under clause
26 (1).

27 (d) "General jurisdiction governmental unit" means the city
28 in which the housing development project is located. In the
29 case of a county or multicounty authority, the county or
30 counties may act as the general jurisdiction governmental unit.
31 In the case of a multicounty authority, the pledge of the
32 general obligation is a pledge of a tax on the taxable property
33 in each of the counties.

34 (e) "Qualified housing development project" means a housing
35 development project providing housing either for the elderly or
36 for individuals and families with incomes not greater than 80

1 percent of the median family income as estimated by the United
2 States Department of Housing and Urban Development for the
3 standard metropolitan statistical area or the nonmetropolitan
4 county in which the project is located, ~~and will~~. The project
5 must be owned for the term of the bonds either by the authority
6 for the term of the bonds or by a limited partnership or other
7 entity in which the authority or another entity under the sole
8 control of the authority is the sole general partner. The
9 partnership or other entity must receive either: (1) an
10 allocation from the Department of Finance or an entitlement
11 issuer of tax-exempt bonding authority for the project and a
12 preliminary determination by the Minnesota Housing Finance
13 Agency or the applicable suballocator of tax credits that the
14 project will qualify for four percent low-income housing tax
15 credits; or (2) a reservation of nine percent low-income housing
16 tax credits from the Minnesota Housing Finance Agency or a
17 suballocator of tax credits for the project. A qualified
18 housing development project may admit nonelderly individuals and
19 families with higher incomes if:

- 20 (1) three years have passed since initial occupancy;
- 21 (2) the authority finds the project is experiencing
22 unanticipated vacancies resulting in insufficient revenues,
23 because of changes in population or other unforeseen
24 circumstances that occurred after the initial finding of
25 adequate revenues; and
- 26 (3) the authority finds a tax levy or payment from general
27 assets of the general jurisdiction governmental unit will be
28 necessary to pay debt service on the bonds if higher income
29 individuals or families are not admitted.

30 **[EFFECTIVE DATE.]** This section is effective for bonds
31 issued after the day following final enactment.

32 Sec. 11. Minnesota Statutes 2004, section 469.169, is
33 amended by adding a subdivision to read:

34 Subd. 17. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In
35 addition to tax reductions authorized in subdivisions 7 to 16,
36 the commissioner shall allocate \$750,000 for tax reductions to

1 border city enterprise zones in cities located on the western
2 border of the state. The commissioner shall make allocations to
3 zones in cities on the western border on a per capita basis.
4 Allocations made under this subdivision may be used for tax
5 reductions as provided in section 469.171, or for other offsets
6 of taxes imposed on or remitted by businesses located in the
7 enterprise zone, but only if the municipality determines that
8 the granting of the tax reduction or offset is necessary in
9 order to retain a business within or attract a business to the
10 zone. Any portion of the allocation provided in this paragraph
11 may alternatively be used for tax reductions under section
12 469.1732 or 469.1734.

13 (b) The commissioner shall allocate \$750,000 for tax
14 reductions under section 469.1732 or 469.1734 to cities with
15 border city enterprise zones located on the western border of
16 the state. The commissioner shall allocate this amount among
17 the cities on a per capita basis. Any portion of the allocation
18 provided in this paragraph may alternatively be used for tax
19 reductions as provided in section 469.171.

20 **[EFFECTIVE DATE.]** This section is effective the day
21 following final enactment.

22 Sec. 12. Minnesota Statutes 2004, section 469.174, is
23 amended by adding a subdivision to read:

24 Subd. 30. [URBAN RENEWAL AREA.] "Urban renewal area" means
25 a contiguous geographic area designated within a project and
26 within which all parcels must be eligible for inclusion in a
27 redevelopment, renewal and renovation, or soils condition
28 district or are currently located within a redevelopment,
29 renewal and renovation, or soils condition district certified
30 within ten years before or after the date of approval of the
31 urban renewal area by the city or county, whichever is later.
32 In determining eligibility for inclusion in a district, each
33 parcel may only be considered as a part of one district.

34 **[EFFECTIVE DATE.]** This section is effective for urban
35 renewal areas established on or after the date of final
36 enactment.

1 Sec. 13. Minnesota Statutes 2004, section 469.175,
2 subdivision 1, is amended to read:

3 Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax
4 increment financing plan shall contain:

5 (1) a statement of objectives of an authority for the
6 improvement of a project;

7 (2) a statement as to the development program for the
8 project, including the property within the project, if any, that
9 the authority intends to acquire;

10 (3) a list of any development activities that the plan
11 proposes to take place within the project, for which contracts
12 have been entered into at the time of the preparation of the
13 plan, including the names of the parties to the contract, the
14 activity governed by the contract, the cost stated in the
15 contract, and the expected date of completion of that activity;

16 (4) identification or description of the type of any other
17 specific development reasonably expected to take place within
18 the project, and the date when the development is likely to
19 occur;

20 (5) estimates of the following:

21 (i) cost of the project, including administrative expenses,
22 except that if part of the cost of the project is paid or
23 financed with increment from the tax increment financing
24 district, the tax increment financing plan for the district must
25 contain an estimate of the amount of the cost of the project,
26 including administrative expenses, that will be paid or financed
27 with tax increments from the district;

28 (ii) amount of bonded indebtedness to be incurred;

29 (iii) sources of revenue to finance or otherwise pay public
30 costs;

31 (iv) the most recent net tax capacity of taxable real
32 property within the tax increment financing district and within
33 any subdistrict;

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

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

1 and any subdistrict's existence;

2 (6) statements of the authority's alternate estimates of
3 the impact of tax increment financing on the net tax capacities
4 of all taxing jurisdictions in which the tax increment financing
5 district is located in whole or in part. For purposes of one
6 statement, the authority shall assume that the estimated
7 captured net tax capacity would be available to the taxing
8 jurisdictions without creation of the district, and for purposes
9 of the second statement, the authority shall assume that none of
10 the estimated captured net tax capacity would be available to
11 the taxing jurisdictions without creation of the district or
12 subdistrict;

13 (7) identification and description of studies and analyses
14 used to make the determination set forth in subdivision 3,
15 clause (2); and

16 (8) identification of all parcels to be included in the
17 district or any subdistrict; and

18 (9) identification of any job training costs intended to be
19 paid by use of tax increments, including the name of the
20 employer whose employees will be trained and the nature and cost
21 of the training. The plan is not required to identify the
22 provider of the job training.

23 [EFFECTIVE DATE.] This section applies to districts for
24 which the request for certification was made after July 31,
25 1979, and is effective for tax increment financing plans
26 approved after June 30, 2005.

27 Sec. 14. Minnesota Statutes 2004, section 469.175,
28 subdivision 4, is amended to read:

29 Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment
30 financing plan may be modified by an authority.

31 (b) The authority may make the following modifications only
32 upon the notice and after the discussion, public hearing, and
33 findings required for approval of the original plan:

34 (1) any reduction or enlargement of geographic area of the
35 project or tax increment financing district that does not meet
36 the requirements of paragraph (e);

1 (2) increase in amount of bonded indebtedness to be
2 incurred;

3 (3) a determination to capitalize interest on the debt if
4 that determination was not a part of the original plan, or to
5 increase or decrease the amount of interest on the debt to be
6 capitalized;

7 (4) increase in the portion of the captured net tax
8 capacity to be retained by the authority;

9 (5) increase in the estimate of the cost of the project,
10 including administrative expenses, that will be paid or financed
11 with tax increment from the district; ~~or~~

12 (6) designation of additional property to be acquired by
13 the authority; or

14 (7) a decision to pay for job training for employees of a
15 business located in the district that was not a part of the
16 original plan.

17 (c) If an authority changes the type of district to another
18 type of district, this change is not a modification but requires
19 the authority to follow the procedure set forth in sections
20 469.174 to 469.179 for adoption of a new plan, including
21 certification of the net tax capacity of the district by the
22 county auditor.

23 (d) If a redevelopment district or a renewal and renovation
24 district is enlarged, the reasons and supporting facts for the
25 determination that the addition to the district meets the
26 criteria of section 469.174, subdivision 10, paragraph (a),
27 clauses (1) and (2), or subdivision 10a, must be documented.

28 (e) The requirements of paragraph (b) do not apply if (1)
29 the only modification is elimination of parcels from the project
30 or district and (2)(A) the current net tax capacity of the
31 parcels eliminated from the district equals or exceeds the net
32 tax capacity of those parcels in the district's original net tax
33 capacity or (B) the authority agrees that, notwithstanding
34 section 469.177, subdivision 1, the original net tax capacity
35 will be reduced by no more than the current net tax capacity of
36 the parcels eliminated from the district. The authority must

1 notify the county auditor of any modification that reduces or
2 enlarges the geographic area of a district or a project area.

3 (f) The geographic area of a tax increment financing
4 district may be reduced, but shall not be enlarged after five
5 years following the date of certification of the original net
6 tax capacity by the county auditor or after August 1, 1984, for
7 tax increment financing districts authorized prior to August 1,
8 1979.

9 [EFFECTIVE DATE.] This section is effective for districts
10 for which the request for certification was made after July 31,
11 1979, and is effective for modifications made after June 30,
12 2005.

13 Sec. 15. Minnesota Statutes 2004, section 469.175,
14 subdivision 6, is amended to read:

15 Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state
16 auditor shall develop a uniform system of accounting and
17 financial reporting for tax increment financing districts. The
18 system of accounting and financial reporting shall, as nearly as
19 possible:

20 (1) provide for full disclosure of the sources and uses of
21 public funds in the district;

22 (2) permit comparison and reconciliation with the affected
23 local government's accounts and financial reports;

24 (3) permit auditing of the funds expended on behalf of a
25 district, including a single district that is part of a
26 multidistrict project or that is funded in part or whole through
27 the use of a development account funded with tax increments from
28 other districts or with other public money;

29 (4) be consistent with generally accepted accounting
30 principles.

31 (b) The authority must annually submit to the state auditor
32 a financial report in compliance with paragraph (a). Copies of
33 the report must also be provided to the county auditor and to
34 the governing body of the municipality, if the authority is not
35 the municipality. To the extent necessary to permit compliance
36 with the requirement of financial reporting, the county and any

1 other appropriate local government unit or private entity must
2 provide the necessary records or information to the authority or
3 the state auditor as provided by the system of accounting and
4 financial reporting developed pursuant to paragraph (a). The
5 authority must submit the annual report for a year on or before
6 August 1 of the next year.

7 (c) The annual financial report must also include the
8 following items:

9 (1) the original net tax capacity of the district and any
10 subdistrict under section 469.177, subdivision 1;

11 (2) the net tax capacity for the reporting period of the
12 district and any subdistrict;

13 (3) the captured net tax capacity of the district;

14 (4) any fiscal disparity deduction from the captured net
15 tax capacity under section 469.177, subdivision 3;

16 (5) the captured net tax capacity retained for tax
17 increment financing under section 469.177, subdivision 2,
18 paragraph (a), clause (1);

19 (6) any captured net tax capacity distributed among
20 affected taxing districts under section 469.177, subdivision 2,
21 paragraph (a), clause (2);

22 (7) the type of district;

23 (8) the date the municipality approved the tax increment
24 financing plan and the date of approval of any modification of
25 the tax increment financing plan, the approval of which requires
26 notice, discussion, a public hearing, and findings under
27 subdivision 4, paragraph (a);

28 (9) the date the authority first requested certification of
29 the original net tax capacity of the district and the date of
30 the request for certification regarding any parcel added to the
31 district;

32 (10) the date the county auditor first certified the
33 original net tax capacity of the district and the date of
34 certification of the original net tax capacity of any parcel
35 added to the district;

36 (11) the month and year in which the authority has received

1 or anticipates it will receive the first increment from the
2 district;

3 (12) the date the district must be decertified;

4 (13) for the reporting period and prior years of the
5 district, the actual amount received from, at least, the
6 following categories:

7 (i) tax increments paid by the captured net tax capacity
8 retained for tax increment financing under section 469.177,
9 subdivision 2, paragraph (a), clause (1), but excluding any
10 excess taxes;

11 (ii) tax increments that are interest or other investment
12 earnings on or from tax increments;

13 (iii) tax increments that are proceeds from the sale or
14 lease of property, tangible or intangible, purchased by the
15 authority with tax increments;

16 (iv) tax increments that are repayments of loans or other
17 advances made by the authority with tax increments;

18 (v) bond or loan proceeds;

19 (vi) special assessments;

20 (vii) grants; and

21 (viii) transfers from funds not exclusively associated with
22 the district;

23 (14) for the reporting period and for the prior years of
24 the district, the actual amount expended for, at least, the
25 following categories:

26 (i) acquisition of land and buildings through condemnation
27 or purchase;

28 (ii) site improvements or preparation costs;

29 (iii) installation of public utilities, parking facilities,
30 streets, roads, sidewalks, or other similar public improvements;

31 (iv) administrative costs, including the allocated cost of
32 the authority;

33 (v) public park facilities, facilities for social,
34 recreational, or conference purposes, or other similar public
35 improvements; and

36 (vi) transfers to funds not exclusively associated with the

1 district; and

2 (vii) job training as permitted under section 469.176,

3 subdivision 4m;

4 (15) for properties sold to developers, the total cost of
5 the property to the authority and the price paid by the
6 developer;

7 (16) the amount of any payments and the value of any
8 in-kind benefits, such as physical improvements and the use of
9 building space, that are paid or financed with tax increments
10 and are provided to another governmental unit other than the
11 municipality during the reporting period;

12 (17) the amount of any payments for activities and
13 improvements located outside of the district that are paid for
14 or financed with tax increments;

15 (18) the amount of payments of principal and interest that
16 are made during the reporting period on any nondefeased:

17 (i) general obligation tax increment financing bonds;

18 (ii) other tax increment financing bonds; and

19 (iii) notes and pay-as-you-go contracts;

20 (19) the principal amount, at the end of the reporting
21 period, of any nondefeased:

22 (i) general obligation tax increment financing bonds;

23 (ii) other tax increment financing bonds; and

24 (iii) notes and pay-as-you-go contracts;

25 (20) the amount of principal and interest payments that are
26 due for the current calendar year on any nondefeased:

27 (i) general obligation tax increment financing bonds;

28 (ii) other tax increment financing bonds; and

29 (iii) notes and pay-as-you-go contracts;

30 (21) if the fiscal disparities contribution under chapter
31 276A or 473F for the district is computed under section 469.177,
32 subdivision 3, paragraph (a), the amount of increased property
33 taxes imposed on other properties in the municipality that
34 approved the tax increment financing plan as a result of the
35 fiscal disparities contribution;

36 (22) whether the tax increment financing plan or other

1 governing document permits increment revenues to be expended:

2 (i) to pay bonds, the proceeds of which were or may be
3 expended on activities outside of the district;

4 (ii) for deposit into a common bond fund from which money
5 may be expended on activities located outside of the district;
6 or

7 (iii) to otherwise finance activities located outside of
8 the tax increment financing district;

9 (23) the estimate, if any, contained in the tax increment
10 financing plan of the amount of the cost of the project,
11 including administrative expenses, that will be paid or financed
12 with tax increment; and

13 (24) any additional information the state auditor may
14 require.

15 (d) The commissioner of revenue shall prescribe the method
16 of calculating the increased property taxes under paragraph (c),
17 clause (21), and the form of the statement disclosing this
18 information on the annual statement under subdivision 5.

19 (e) The reporting requirements imposed by this subdivision
20 apply to districts certified before, on, and after August 1,
21 1979.

22 **[EFFECTIVE DATE.]** This section is effective for reports
23 filed in 2006 and thereafter.

24 Sec. 16. Minnesota Statutes 2004, section 469.176,
25 subdivision 1c, is amended to read:

26 Subd. 1c. [DURATION LIMITS; PRE-1979 DISTRICTS.] (a) For
27 tax increment financing districts created prior to August 1,
28 1979, no tax increment shall be paid to the authority after
29 April 1, 2001, or the term of a nondefeased bond or obligation
30 outstanding on April 1, 1990, secured by increments from the
31 district or project area, whichever time is greater, provided
32 that in no case will a tax increment be paid to an authority
33 after August 1, 2009, from such a district. If a district's
34 termination date is extended beyond April 1, 2001, because bonds
35 were outstanding on April 1, 1990, with maturities extending
36 beyond April 1, 2001, the following restrictions apply. No

1 increment collected from the district may be expended after
2 April 1, 2001, except to pay or repay:

3 (1) bonds issued before April 1, 1990;

4 (2) bonds issued to refund the principal of the outstanding
5 bonds and pay associated issuance costs;

6 (3) administrative expenses of the district required to be
7 paid under section 469.176, subdivision 4h, paragraph (a);

8 (4) transfers of increment permitted under section
9 469.1763, subdivision 6; and

10 (5) any advance or payment made by the municipality or the
11 authority after June 1, 2002, to pay any bonds listed in clause
12 (1) or (2); and

13 (6) amounts authorized under paragraph (d).

14 (b) Each year, any increments from a district subject to
15 this subdivision must be first applied to pay obligations listed
16 under paragraph (a), clauses (1) and (2), and administrative
17 expenses under paragraph (a), clause (3). Any remaining
18 increments may be used for transfers of increments permitted
19 under section 469.1763, subdivision 6, and to make payments
20 under paragraph paragraphs (a), clause (5), and (d).

21 (c) When sufficient money has been received to pay in full
22 or defease obligations under paragraph (a), clauses (1), (2),
23 and (5), and no spending is permitted by paragraph (d) for the
24 year, the tax increment project or district must be decertified.

25 (d) In addition to the expenditures authorized under
26 paragraph (a), clauses (1) to (5), a city may expend increments
27 from a tax increment financing district subject to this
28 subdivision after April 1, 2001, if all of the following
29 conditions are met:

30 (1) the captured tax capacity for all tax increment
31 financing districts constituted less than six percent of the
32 city's total tax capacity for taxes payable in 2003; and

33 (2) the population of the city exceeds 50,000.

34 [EFFECTIVE DATE.] This section is effective for tax
35 increment financing districts for which the request for
36 certification was made before August 1, 1979.

1 Sec. 17. Minnesota Statutes 2004, section 469.176, is
2 amended by adding a subdivision to read:

3 Subd. 4m. [USE OF INCREMENTS FOR JOB
4 TRAINING.] Notwithstanding the limits on use of increments in
5 subdivision 4, 4b, 4c, or 4j, increments may be expended for job
6 training that is intended to result in new job growth within a
7 tax increment financing district. The authority may expend
8 increments directly for the cost of the job training or may
9 reimburse an employer located within the district or a
10 municipality in which the district is located for job training
11 expenditures. Increments may be expended only for job training
12 programs that are approved for this purpose by the local
13 workforce council established under section 268.666 that has
14 jurisdiction over the workforce service area that includes the
15 tax increment financing district. For purposes of section
16 469.1763, increments expended under this subdivision are
17 considered to be expended on activities in the district.

18 [EFFECTIVE DATE.] This section is effective for districts
19 for which the request for certification was made after July 31,
20 1979, provided that districts for which the request for
21 certification was made before the effective date of this act
22 must modify their plans to provide for this expenditure.

23 Sec. 18. Minnesota Statutes 2004, section 469.176, is
24 amended by adding a subdivision to read:

25 Subd. 8. [URBAN RENEWAL AREA.] (a) An authority may create
26 an urban renewal area only upon the notice and after the
27 discussion, public hearing, and findings required for approval
28 of the original project. In addition, the authority must obtain
29 written approval from the county in which the urban renewal area
30 is to be located. After approval by the city and county, the
31 authority shall notify the commissioner of revenue of the
32 approved urban renewal area.

33 (b) All provisions of sections 469.174 through 469.1799
34 apply except:

35 (1) the five-year rule under section 469.1763, subdivision
36 3, is extended to ten years;

1 (2) the limitation on spending increment outside of the
2 district under section 469.1763, subdivision 2, does not apply,
3 provided that increments may only be expended on improvements or
4 activities within the urban renewal area, and increments from a
5 soils condition district must be expended as provided under
6 subdivision 4b; and

7 (3) the local tax rate certification required under section
8 469.177, subdivision 1a, does not apply.

9 [EFFECTIVE DATE.] This section is effective for urban
10 renewal areas established on or after the date of final
11 enactment.

12 Sec. 19. Minnesota Statutes 2004, section 469.1761, is
13 amended by adding a subdivision to read:

14 Subd. 3a. [MIXED-INCOME OCCUPANCY PROJECTS.] (a)
15 Notwithstanding the income requirements in subdivisions 2 and 3,
16 or section 469.174, subdivision 11, an authority may create
17 housing districts for developments that contain both
18 owner-occupied and residential rental units for mixed-income
19 occupancy. Such a district consists of a project, or a portion
20 of a project, intended for occupancy, in part, by persons of low
21 and moderate income as defined in chapter 462A, title II, of the
22 National Housing Act of 1934; the National Housing Act of 1959;
23 the United States Housing Act of 1937, as amended; title V of
24 the Housing Act of 1949, as amended; any other similar present
25 or future federal, state, or municipal legislation, or the
26 regulations promulgated under any of those acts, as further
27 specified in this section. Twenty percent of the units in the
28 development in the housing district must be occupied by
29 individuals whose family income is equal to or less than 50
30 percent of area median gross income, and an additional 60
31 percent of the units in the development in the housing district
32 must be occupied by individuals whose family income is equal to
33 or less than 115 percent of area median gross income. Twenty
34 percent of the units in the development in the housing district
35 are not required to be subject to any income limitations.

36 (b) For purposes of this subdivision, "family income" means

1 the median gross income for the area as determined under section
2 42 of the Internal Revenue Code of 1986, as amended. The income
3 requirements of this subdivision are satisfied if the sum of
4 qualified owner-occupied units and qualified residential rental
5 units equals the required total number of qualified units.
6 Owner-occupied units must be initially purchased and occupied by
7 individuals whose family income satisfies the income
8 requirements of this subdivision. For residential rental
9 property, the income requirements of this subdivision apply for
10 the duration of the tax increment district.

11 (c) The development in the housing district, but not the
12 project, does not qualify under this subdivision if the fair
13 market value of the improvements that are constructed for
14 commercial uses or for uses other than owner-occupied and rental
15 mixed-income housing consists of more than 20 percent of the
16 total fair market value of the planned improvements in the
17 development plan or agreement. The fair market value of the
18 improvements may be determined using the cost of construction,
19 capitalized income, or other appropriate method of estimating
20 market value.

21 [EFFECTIVE DATE.] This section is effective for districts
22 for which certification is requested after July 31, 2005.

23 Sec. 20. Minnesota Statutes 2004, section 469.1763,
24 subdivision 2, is amended to read:

25 Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax
26 increment financing district, an amount equal to at least 75
27 percent of the total revenue derived from tax increments paid by
28 properties in the district must be expended on activities in the
29 district or to pay bonds, to the extent that the proceeds of the
30 bonds were used to finance activities in the district or to pay,
31 or secure payment of, debt service on credit enhanced bonds.
32 For districts, other than redevelopment districts for which the
33 request for certification was made after June 30, 1995, the
34 in-district percentage for purposes of the preceding sentence is
35 80 percent. Not more than 25 percent of the total revenue
36 derived from tax increments paid by properties in the district

1 may be expended, through a development fund or otherwise, on
2 activities outside of the district but within the defined
3 geographic area of the project except to pay, or secure payment
4 of, debt service on credit enhanced bonds. For districts, other
5 than redevelopment districts for which the request for
6 certification was made after June 30, 1995, the pooling
7 percentage for purposes of the preceding sentence is 20
8 percent. The revenue derived from tax increments for the
9 district that are expended on costs under section 469.176,
10 subdivision 4h, paragraph (b), may be deducted first before
11 calculating the percentages that must be expended within and
12 without the district.

13 (b) In the case of a housing district, a housing project,
14 as defined in section 469.174, subdivision 11, is an activity in
15 the district.

16 (c) All administrative expenses are for activities outside
17 of the district, except that if the only expenses for activities
18 outside of the district under this subdivision are for the
19 purposes described in paragraph (d), administrative expenses
20 will be considered as expenditures for activities in the
21 district.

22 (d) The authority may elect, in the tax increment financing
23 plan for the district, to increase by up to ten percentage
24 points the permitted amount of expenditures for activities
25 located outside the geographic area of the district under
26 paragraph (a). As permitted by section 469.176, subdivision 4k,
27 the expenditures, including the permitted expenditures under
28 paragraph (a), need not be made within the geographic area of
29 the project. Expenditures that meet the requirements of this
30 paragraph are legally permitted expenditures of the district,
31 notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
32 To qualify for the increase under this paragraph, the
33 expenditures must:

34 (1) be used exclusively to assist housing that meets the
35 requirement for a qualified low-income building, as that term is
36 used in section 42 of the Internal Revenue Code;

1 (2) not exceed the qualified basis of the housing, as
2 defined under section 42(c) of the Internal Revenue Code, less
3 the amount of any credit allowed under section 42 of the
4 Internal Revenue Code; and

5 (3) be used to:

6 (i) acquire and prepare the site of the housing;
7 (ii) acquire, construct, or rehabilitate the housing; or
8 (iii) make public improvements directly related to the
9 housing.

10 (e) For a district created within a biotechnology and
11 health sciences industry zone as defined in section 469.330,
12 subdivision 6, tax increment derived from such a district may be
13 expended outside of the district but within the zone only for
14 expenditures required for the construction of public
15 infrastructure necessary to support the activities of the zone.

16 Sec. 21. Minnesota Statutes 2004, section 469.1792, is
17 amended to read:

18 469.1792 [SPECIAL DEFICIT AUTHORITY.]

19 Subdivision 1. [SCOPE.] This section applies only to an
20 authority with a preexisting district for which:

21 (1) the increments from the district were insufficient to
22 pay preexisting obligations as a result of the class rate
23 changes or the elimination of the state-determined general
24 education property tax levy under this act, or both; or

25 (2)(i) the development authority has a binding contract,
26 entered into before August 1, 2001, with a person requiring the
27 authority to pay to the person an amount that may not exceed the
28 increment from the district or a specific development within the
29 district; and

30 (ii) the authority is unable to pay the full amount under
31 the contract from the pledged increments or other increments
32 from the district that would have been due if the class rate
33 changes or elimination of the state-determined general education
34 property tax levy or both had not been made under Laws 2001,
35 First Special Session chapter 5;

36 (3) the authority amends its tax increment financing plan

1 to establish an affordable housing account to which increments
2 are pledged; or

3 (4) the authority amends its tax increment financing plan
4 to establish a hazardous substance, pollutant, or contaminant
5 remediation account to which increments are pledged.

6 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
7 the following terms have the meanings given.

8 (b) "Affordable housing account" means an account in which
9 increment is deposited solely for affordable housing activities
10 as defined in section 469.174, subdivision 11.

11 (c) "Hazardous substance, pollutant, or contaminant
12 remediation account" means an account in which increment is
13 deposited solely for removal or remediation activities described
14 in section 469.174, subdivisions 16 to 19.

15 ~~(b)~~ (d) "Preexisting district" means a tax increment
16 financing district for which the request for certification was
17 made before August 1, 2001.

18 ~~(e)~~ (e) "Preexisting obligation" means a bond or binding
19 contract that:

20 (1) (i) was issued or approved before August 1, 2001, or was
21 issued pursuant to a binding contract entered into before July
22 1, 2001; or

23 (ii) was issued to refinance an obligation under item (i),
24 if the refinancing does not increase the present value of the
25 debt service; and

26 (2) is secured by increments from a preexisting district.

27 Subd. 3. [ACTIONS AUTHORIZED.] (a) An authority with a
28 district qualifying under this section may take either or both
29 of the following actions for any or all of its preexisting
30 districts:

31 (1) the authority may elect that the original local tax
32 rate under section 469.177, subdivision 1a, does not apply to
33 the district; and

34 (2) the authority may elect the fiscal disparities
35 contribution will be computed under section 469.177, subdivision
36 3, paragraph (a), regardless of the election that was made for

1 the district or if the district is an economic development
2 district for which the request for certification was made after
3 June 30, 1997.

4 (b) The authority may take action under this subdivision
5 only after the municipality approves the action, by resolution,
6 after notice and public hearing in the manner provided under
7 section 469.175, subdivision 3. To be effective for taxes
8 payable in the following year, the resolution must be adopted
9 and the county auditor must be notified of the adoption on or
10 before July 1.

11 Subd. 4. [EXPENDITURES FROM AFFORDABLE HOUSING
12 ACCOUNTS.] Increment from an affordable housing account may be
13 spent by an authority anywhere within its area of operation.
14 Notwithstanding the definition of a project under section
15 469.174, increments may be spent to assist housing that meets
16 the requirements under section 469.1761. The limitation imposed
17 by section 469.1763, subdivision 2, does not apply to any
18 transfers of increment to the affordable housing account to the
19 extent that the amount transferred to the account under this
20 subdivision does not exceed ten percent of the revenue derived
21 from tax increments paid by properties in the district in the
22 year.

23 Subd. 5. [EXPENDITURES FROM HAZARDOUS SUBSTANCE,
24 POLLUTANT, OR CONTAMINANT REMEDIATION ACCOUNT.] Increment from a
25 hazardous substance, pollutant, or contaminant remediation
26 account may be spent by an authority anywhere within its area of
27 operation. Notwithstanding the definition of a project under
28 section 469.174, increments may be expended to remediation and
29 removal activities that meet the requirements of section
30 469.176, subdivision 4b or 4e. The limitation imposed by
31 section 469.1763, subdivision 2, does not apply to any transfers
32 of increment to the hazardous substance, pollutant, or
33 contaminant remediation account to the extent that the amount
34 transferred to the account under this subdivision does not
35 exceed ten percent of the revenue derived from tax increments
36 paid by properties in the district in the year.

1 [EFFECTIVE DATE.] This section is effective for actions
2 taken and resolutions approved after June 30, 2005.

3 Sec. 22. Minnesota Statutes 2004, section 469.310,
4 subdivision 11, is amended to read:

5 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business"
6 means a person carrying on a trade or business at a place of
7 business located within a job opportunity building zone.

8 (b) A person that relocates a trade or business from
9 outside a job opportunity building zone into a zone is not a
10 qualified business, unless the business:

11 (1)(i) increases full-time employment in the first full
12 year of operation within the job opportunity building zone by at
13 least 20 percent measured relative to the operations that were
14 relocated and maintains the required level of employment for
15 each year the zone designation applies; or

16 (ii) makes a capital investment in the property located
17 within a zone equivalent to ten percent of the gross revenues of
18 operation that were relocated in the immediately preceding
19 taxable year; and

20 (2) enters a binding written agreement with the
21 commissioner that:

22 (i) pledges the business will meet the requirements of
23 clause (1);

24 (ii) provides for repayment of all tax benefits enumerated
25 under section 469.315 to the business under the procedures in
26 section 469.319, if the requirements of clause (1) are not met
27 for the taxable year or for taxes payable during the year in
28 which the requirements were not met; and

29 (iii) contains any other terms the commissioner determines
30 appropriate.

31 (c) A business is not a qualified business if at its
32 location or locations in the zone, the business is primarily
33 engaged in making retail sales to purchasers who are physically
34 present at the business's zone location.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment and applies to any business entering a

1 business subsidy agreement for a job opportunity development
2 zone after that date.

3 Sec. 23. Laws 1994, chapter 587, article 9, section 20,
4 subdivision 1, is amended to read:

5 Subdivision 1. [ESTABLISHMENT.] The city of Brooklyn Park
6 may establish an economic development tax increment financing
7 district in which ~~±5-percent~~ all of the revenue generated from
8 tax increment in any year that is not expended pursuant to a
9 pledge given or encumbrance created before January 1, 2005, is
10 deposited in the housing development account of the authority
11 and expended according to the tax increment financing plan.

12 Sec. 24. Laws 1994, chapter 587, article 9, section 20,
13 subdivision 2, is amended to read:

14 Subd. 2. [ELIGIBLE ACTIVITIES.] The authority must
15 identify in the plan the housing activities that will be
16 assisted by the housing development account. Housing activities
17 may include rehabilitation, acquisition, demolition, and
18 financing of new or existing single family or multifamily
19 housing. Housing activities listed in the plan need not be
20 located within the district or project area but must be
21 activities that meet the requirements of a qualified housing
22 district under Minnesota Statutes, section ~~273-1399-or~~ 469.1761,
23 subdivision 2, for owner-occupied housing or section 469.174,
24 subdivision 29, clause (1), for rental housing.

25 Sec. 25. Laws 1998, chapter 389, article 11, section 19,
26 subdivision 3, is amended to read:

27 Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the
28 provisions of Minnesota Statutes, section 469.176, subdivision
29 1b, no tax increment may be paid to the authority or the city
30 ~~after ±8-years-from-the-date-of-receipt-by-the-authority-of-the~~
31 ~~first-increment-generated-from-the-final-phase-of~~
32 ~~redevelopment.--In-no-case-may-increments-be-paid-to-the~~
33 ~~authority-after~~ 30 years from approval of the tax increment
34 plan. ~~"Final-phase-of-redevelopment"-means-that-phase-of~~
35 ~~redevelopment-activity-which-completes-the-rehabilitation-of-the~~
36 ~~Lake-Street-site.~~

1 [EFFECTIVE DATE.] This section is effective upon compliance
2 with Minnesota Statutes, sections 469.1782, subdivision 2, and
3 645.021, subdivision 2.

4 Sec. 26. [ANOKA COUNTY REGIONAL RAILROAD AUTHORITY
5 POWERS.]

6 Subdivision 1. [ECONOMIC DEVELOPMENT POWERS AND
7 DUTIES.] The Anoka County Regional Railroad Authority may
8 exercise any of the powers and duties of an economic development
9 authority under Minnesota Statutes, sections 469.090, 469.098,
10 and 469.101 to 469.106. The Anoka County Regional Railroad
11 Authority may exercise the powers under Minnesota Statutes,
12 sections 469.001 to 469.047, for the purpose of transit-oriented
13 development, except that the Anoka County Regional Railroad
14 Authority must not exercise the power to tax under Minnesota
15 Statutes, section 469.033, subdivision 6. In applying Minnesota
16 Statutes, sections 469.001 to 469.047, 469.090, 469.098, and
17 469.101 to 469.106, to the Anoka County Regional Railroad
18 Authority, the county is considered to be the city and the
19 county board is considered to be the city council.

20 Subd. 2. [RELATION TO LOCAL AUTHORITIES.] Nothing in
21 subdivision 1 shall change or impair the powers or duties of a
22 city, town, municipal housing and redevelopment authority, or
23 municipal economic development authority.

24 Subd. 3. [LOCAL APPROVAL.] If any economic development
25 project is constructed in the county pursuant to the
26 authorization in this section, the project must be approved by
27 the governing body of each city or town within which the project
28 will be constructed.

29 [EFFECTIVE DATE.] This section is effective the day after
30 the governing body of the Anoka County Regional Railroad
31 Authority and its chief clerical officer timely complete their
32 compliance with Minnesota Statutes, section 645.021,
33 subdivisions 2 and 3.

34 Sec. 27. [CITY OF BROOKLYN CENTER; EXTENSION OF TIME TO
35 EXPEND TAX INCREMENT.]

36 For tax increment financing district number 3, established

1 on December 19, 1994, by Brooklyn Center Resolution No. 94-273,
2 Minnesota Statutes, section 469.1763, subdivision 3, applies to
3 the district by permitting a period of 13 years for commencement
4 of activities within the district.

5 [EFFECTIVE DATE.] This section is effective upon approval
6 by the governing body of the city of Brooklyn Center and
7 compliance with Minnesota Statutes, section 645.021, subdivision
8 3.

9 Sec. 28. [CITY OF BROOKLYN PARK TAX INCREMENT FINANCING
10 DISTRICT EXTENSION.]

11 Notwithstanding Minnesota Statutes, section 469.176,
12 subdivision 1b, or any other law to the contrary, the duration
13 limit that applies to the economic development tax increment
14 financing district established under Laws 1994, chapter 587,
15 article 9, section 20, is extended to December 31, 2020.

16 Sec. 29. [CITY OF DETROIT LAKES; REDEVELOPMENT TAX
17 INCREMENT FINANCING DISTRICT.]

18 Subdivision 1. [AUTHORIZATION.] At the election of the
19 governing body of the city of Detroit Lakes, upon adoption of
20 the tax increment financing plan for the district described in
21 this section, the rules provided under this section apply to
22 each such district.

23 Subd. 2. [DEFINITION.] In this section, "district" means a
24 redevelopment district established by the city of Detroit Lakes
25 or the Detroit Lakes Development Authority within the following
26 area:

27 Beginning at the intersection of Washington Avenue and the
28 Burlington Northern Santa Fe Railroad then east to the
29 intersection of Roosevelt Avenue then south to the intersection
30 of Highway 10/Frazer Street then west to the intersection of
31 Frazer Street and the alley that parallels Washington Avenue
32 then north to the point of beginning.

33 More than one district may be created under this act.

34 Subd. 3. [QUALIFICATION AS REDEVELOPMENT DISTRICT; SPECIAL
35 RULES.] The district shall be a redevelopment district under
36 Minnesota Statutes, section 469.174, subdivision 10. All

1 buildings that are removed to facilitate the Highway 10
2 Realignment Project are deemed to be "structurally
3 substandard." The three-year limit after demolition of the
4 buildings to request tax increment financing certification
5 provided in Minnesota Statutes, section 469.174, subdivision 10,
6 paragraph (d), clause (1), does not apply.

7 Subd. 4. [EXPIRATION.] The authority to approve tax
8 increment financing plans to establish a tax increment financing
9 redevelopment district subject to this section expires on
10 December 31, 2014.

11 Subd. 5. [EFFECTIVE DATE.] This section is effective upon
12 approval of the governing body of the city of Detroit Lakes and
13 compliance with Minnesota Statutes, section 645.021, subdivision
14 3.

15 Sec. 30. [CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX
16 INCREMENT FINANCING DISTRICTS.]

17 Subdivision 1. [AUTHORIZATION.] Notwithstanding the
18 mileage limitation in Minnesota Statutes, section 469.174,
19 subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco
20 are deemed to be small cities for purposes of Minnesota
21 Statutes, sections 469.174 to 469.1799, as long as they do not
22 exceed the population limit in that section.

23 Subd. 2. [LOCAL APPROVAL.] This section is effective for
24 each of the cities of Elgin, Eyota, Byron, and Oronoco upon
25 approval of that city's governing body and compliance with
26 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

27 Sec. 31. [CITY OF FAIRMONT; TAX INCREMENT FINANCING
28 DISTRICT.]

29 Subdivision 1. [AUTHORITY TO REDUCE ORIGINAL VALUE.] The
30 city of Fairmont may elect to reduce the original tax capacity
31 of a previously tax-exempt parcel, consisting of property
32 formerly owned by the United States Post Office, in tax
33 increment financing district No. 20, to the value of the land.

34 Subd. 2. [EFFECTIVE DATE.] This section is effective upon
35 compliance by the city of Fairmont with the requirements of
36 Minnesota Statutes, section 645.021.

1 Sec. 32. [CITY OF FERGUS FALLS; ECONOMIC DEVELOPMENT
2 PROPERTY.]

3 The provisions of Minnesota Statutes, section 272.02,
4 subdivision 39, apply to property located in the city of Fergus
5 Falls as if the city had a population of 5,000 or less.

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

8 Sec. 33. [CITY OF RICHFIELD; TAX INCREMENT FINANCING
9 DISTRICT.]

10 Subdivision 1. [AUTHORIZATION.] The city of Richfield may
11 create a tax increment financing district consisting of an area
12 lying west of Trunk Highway 77 extending: to 16th Avenue
13 between Crosstown Highway 62 and 66th Street; to 17th Avenue
14 between 66th and 69th Streets; and to 18th Avenue between 69th
15 and 72nd Streets. The city or its housing and redevelopment
16 authority may be the authority for the purposes of Minnesota
17 Statutes, sections 469.174 to 469.179.

18 Subd. 2. [DISTRICT IS REDEVELOPMENT DISTRICT.] The
19 redevelopment tax increment district created pursuant to
20 subdivision 1, within which housing is not a compatible use due
21 to the presence of extraordinary low frequency noise and
22 vibration impacts, is deemed to be a redevelopment district and
23 is subject to Minnesota Statutes, sections 469.174 to 469.179,
24 except that:

25 (1) expenditures for activities as defined in Minnesota
26 Statutes, section 469.1763, subdivision 1, paragraph (b),
27 anywhere in the district are deemed to be the costs of
28 correcting conditions that allow the designation of
29 redevelopment districts pursuant to Minnesota Statutes, section
30 469.174, subdivision 10; and

31 (2) the five-year rule under Minnesota Statutes, section
32 469.1763, subdivision 3, does not apply.

33 [EFFECTIVE DATE.] This section is effective upon local
34 approval by the city of Richfield in compliance with Minnesota
35 Statutes, section 645.021.

36 Sec. 34. [CITY OF ST. MICHAEL; TAX INCREMENT FINANCING

1 DISTRICT.]

2 Subdivision 1. [ESTABLISHMENT OF DISTRICT.] The city of St.
3 Michael may establish a redevelopment tax increment financing
4 district subject to Minnesota Statutes, sections 469.174 to
5 469.179, except as provided in this section. The district must
6 be established within an area that includes the downtown and
7 town center areas as designated by the city as well as all
8 parcels adjacent to marked Trunk Highway 241 within the city.

9 Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the
10 requirements of Minnesota Statutes, section 469.174, subdivision
11 10, the district may be established and operated as a
12 redevelopment district.

13 (b) Notwithstanding the restrictions of Minnesota Statutes,
14 sections 469.176, subdivisions 4 and 4j, and 469.1763,
15 subdivision 2, revenues derived from tax increments from the
16 district created under this section may be used to meet the cost
17 of land acquisition, removal of buildings in the right-of-way
18 acquisition area, and other costs incurred by the city of St.
19 Michael in the expansion and improvement of marked Trunk Highway
20 241 within the city.

21 (c) Minnesota Statutes, section 469.176, subdivision 5,
22 does not apply to the district.

23 [EFFECTIVE DATE.] This section is effective the day after
24 the governing body of the city of St. Michael complies with
25 Minnesota Statutes, section 645.021, subdivision 3.

26 Sec. 35. [ST. PAUL; HOUSING AND REDEVELOPMENT AUTHORITY.]

27 Subdivision 1. [HOUSING AND REDEVELOPMENT
28 SUBDISTRICTS.] For its tax increment financing districts
29 identified in subdivision 2, the Housing and Redevelopment
30 Authority of the city of St. Paul may establish subdistricts up
31 to the number set forth for each tax increment financing
32 district in subdivision 2. The subdistricts shall be treated as
33 set forth in subdivision 3, notwithstanding the provisions of
34 any other law to the contrary.

35 Subd. 2. [DIVISION INTO SUBDISTRICTS; AUTHORITY.] The tax
36 increment financing districts with the following Ramsey County

1 identification numbers may be divided into a number of
2 subdistricts not to exceed the number set forth as follows: No.
3 224/233, six subdistricts; No. 225, six subdistricts; No. 228,
4 three subdistricts; and No. 234, two subdistricts.

5 Subd. 3. [DESIGNATION OF PARCELS.] All parcels in a tax
6 increment financing district listed in subdivision 2 must be
7 assigned to a subdistrict. Each subdistrict established
8 pursuant to this section shall consist of those parcels in the
9 tax increment financing district which are designated by the
10 commissioners of the Housing and Redevelopment Authority of the
11 city of St. Paul by resolution, which parcels need not be
12 contiguous. For purposes of determining tax increments and the
13 parcels treated as paying tax increments, each subdistrict shall
14 be treated as a separate tax increment district.

15 [EFFECTIVE DATE.] This section is effective the day after
16 the governing body of St. Paul and its chief clerical officer
17 comply with Minnesota Statutes, section 645.021, subdivisions 2
18 and 3.

19 Sec. 36. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

20 Subdivision 1. [DISTRICT EXTENSION.] The governing body of
21 the city of Wabasha may elect to extend the duration of its
22 redevelopment tax increment financing district number 3 by up to
23 five additional years.

24 Subd. 2. [FIVE-YEAR RULE.] The requirements of Minnesota
25 Statutes, section 469.1763, subdivision 3, that activities must
26 be undertaken within a five-year period from the date of
27 certification of a tax increment financing district must be
28 considered to be met for the city of Wabasha redevelopment tax
29 increment district number 3, if the activities are undertaken
30 within ten years from the date of certification of the district.

31 Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the
32 provisions of Minnesota Statutes, section 469.176, subdivision
33 41, or any other law, the city of Wabasha may spend the proceeds
34 of tax increment bonds issued prior to January 1, 2000, to pay
35 the costs of acquiring and constructing a National Eagle Center
36 in the city. The city of Wabasha may also use tax increment

1 from its tax increment districts to pay the debt service on such
2 bonds, or any bonds issued to refund such bonds, subject to
3 legal restrictions on the pooling of tax increment.

4 [EFFECTIVE DATE.] Subdivision 1 is effective upon
5 compliance with the provisions of Minnesota Statutes, sections
6 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are
7 effective upon compliance by the governing body of the city of
8 Wabasha with the provisions of Minnesota Statutes, section
9 645.021.

10 Sec. 37. [JOBZ EXPENDITURE LIMITATIONS; AUDITS.]

11 Subdivision 1. [DETERMINATION OF TAX EXPENDITURES.] By
12 September 1, 2005, the commissioner of revenue, with the
13 assistance of the commissioner of employment and economic
14 development, must estimate the total amount of tax expenditures
15 projected to have been obligated for all job opportunity
16 building zone projects that have been approved before June 1,
17 2005. If the commissioner of revenue determines that the
18 estimated amount of tax expenditures for fiscal years 2005-2007
19 exceeds \$13,780,000, the commissioner of revenue must inform the
20 chairs of the house of representatives and senate tax committees.

21 Subd. 2. [AUDITS.] The Tax Increment Financing, Investment
22 and Finance Division of the Office of the State Auditor must
23 annually audit the creation and operation of all job opportunity
24 building zones and business subsidy agreements entered into
25 under Minnesota Statutes, sections 469.310 to 469.320.

26 Sec. 38. [REPEALER.]

27 Laws 1994, chapter 587, article 9, section 20, subdivision
28 4, is repealed.

29 ARTICLE 6

30 PUBLIC FINANCE

31 Section 1. Minnesota Statutes 2004, section 118A.05,
32 subdivision 5, is amended to read:

33 Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or
34 contracts for guaranteed investment contracts may be entered
35 into if they are issued or guaranteed by United States
36 commercial banks, domestic branches of foreign banks, United

1 States insurance companies, or their Canadian subsidiaries, or
2 the domestic affiliates of any of the foregoing. The credit
3 quality of the issuer's or guarantor's short- and long-term
4 unsecured debt must be rated in one of the two highest
5 categories by a nationally recognized rating agency. Should the
6 issuer's or guarantor's credit quality be downgraded below "A",
7 the government entity must have withdrawal rights.

8 Sec. 2. Minnesota Statutes 2004, section 275.70,
9 subdivision 5, is amended to read:

10 Subd. 5. [SPECIAL LEVIES.] "Special levies" means those
11 portions of ad valorem taxes levied by a local governmental unit
12 for the following purposes or in the following manner:

13 (1) to pay the costs of the principal and interest on
14 bonded indebtedness or to reimburse for the amount of liquor
15 store revenues used to pay the principal and interest due on
16 municipal liquor store bonds in the year preceding the year for
17 which the levy limit is calculated;

18 (2) to pay the costs of principal and interest on
19 certificates of indebtedness issued for any corporate purpose
20 except for the following:

21 (i) tax anticipation or aid anticipation certificates of
22 indebtedness;

23 (ii) certificates of indebtedness issued under sections
24 298.28 and 298.282;

25 (iii) certificates of indebtedness used to fund current
26 expenses or to pay the costs of extraordinary expenditures that
27 result from a public emergency; or

28 (iv) certificates of indebtedness used to fund an
29 insufficiency in tax receipts or an insufficiency in other
30 revenue sources;

31 (3) to provide for the bonded indebtedness portion of
32 payments made to another political subdivision of the state of
33 Minnesota;

34 (4) to fund payments made to the Minnesota State Armory
35 Building Commission under section 193.145, subdivision 2, to
36 retire the principal and interest on armory construction bonds;

1 (5) property taxes approved by voters which are levied
2 against the referendum market value as provided under section
3 275.61;

4 (6) to fund matching requirements needed to qualify for
5 federal or state grants or programs to the extent that either
6 (i) the matching requirement exceeds the matching requirement in
7 calendar year 2001, or (ii) it is a new matching requirement
8 that did not exist prior to 2002;

9 (7) to pay the expenses reasonably and necessarily incurred
10 in preparing for or repairing the effects of natural disaster
11 including the occurrence or threat of widespread or severe
12 damage, injury, or loss of life or property resulting from
13 natural causes, in accordance with standards formulated by the
14 Emergency Services Division of the state Department of Public
15 Safety, as allowed by the commissioner of revenue under section
16 275.74, subdivision 2;

17 (8) pay amounts required to correct an error in the levy
18 certified to the county auditor by a city or county in a levy
19 year, but only to the extent that when added to the preceding
20 year's levy it is not in excess of an applicable statutory,
21 special law or charter limitation, or the limitation imposed on
22 the governmental subdivision by sections 275.70 to 275.74 in the
23 preceding levy year;

24 (9) to pay an abatement under section 469.1815;

25 (10) to pay any costs attributable to increases in the
26 employer contribution rates under chapter 353 that are effective
27 after June 30, 2001;

28 (11) to pay the operating or maintenance costs of a county
29 jail as authorized in section 641.01 or 641.262, or of a
30 correctional facility as defined in section 241.021, subdivision
31 1, paragraph (f), to the extent that the county can demonstrate
32 to the commissioner of revenue that the amount has been included
33 in the county budget as a direct result of a rule, minimum
34 requirement, minimum standard, or directive of the Department of
35 Corrections, or to pay the operating or maintenance costs of a
36 regional jail as authorized in section 641.262. For purposes of

1 this clause, a district court order is not a rule, minimum
2 requirement, minimum standard, or directive of the Department of
3 Corrections. If the county utilizes this special levy, except
4 to pay operating or maintenance costs of a new regional jail
5 facility under sections 641.262 to 641.264 which will not
6 replace an existing jail facility, any amount levied by the
7 county in the previous levy year for the purposes specified
8 under this clause and included in the county's previous year's
9 levy limitation computed under section 275.71, shall be deducted
10 from the levy limit base under section 275.71, subdivision 2,
11 when determining the county's current year levy limitation. The
12 county shall provide the necessary information to the
13 commissioner of revenue for making this determination;

14 (12) to pay for operation of a lake improvement district,
15 as authorized under section 103B.555. If the county utilizes
16 this special levy, any amount levied by the county in the
17 previous levy year for the purposes specified under this clause
18 and included in the county's previous year's levy limitation
19 computed under section 275.71 shall be deducted from the levy
20 limit base under section 275.71, subdivision 2, when determining
21 the county's current year levy limitation. The county shall
22 provide the necessary information to the commissioner of revenue
23 for making this determination;

24 (13) to repay a state or federal loan used to fund the
25 direct or indirect required spending by the local government due
26 to a state or federal transportation project or other state or
27 federal capital project. This authority may only be used if the
28 project is not a local government initiative;

29 (14) to pay for court administration costs as required
30 under section 273.1398, subdivision 4b, less the (i) county's
31 share of transferred fines and fees collected by the district
32 courts in the county for calendar year 2001 and (ii) the aid
33 amount certified to be paid to the county in 2004 under section
34 273.1398, subdivision 4c; however, for taxes levied to pay for
35 these costs in the year in which the court financing is
36 transferred to the state, the amount under this clause is

1 limited to the amount of aid the county is certified to receive
2 under section 273.1398, subdivision 4a; and

3 (15) to fund a police or firefighters relief association as
4 required under section 69.77 to the extent that the required
5 amount exceeds the amount levied for this purpose in 2001; and
6 (16) for purposes of a storm sewer improvement district,
7 pursuant to section 444.20.

8 Sec. 3. Minnesota Statutes 2004, section 373.01,
9 subdivision 3, is amended to read:

10 Subd. 3. [CAPITAL NOTES.] (a) A county board may, by
11 resolution and without referendum, issue capital notes subject
12 to the county debt limit to purchase capital equipment useful
13 for county purposes that has an expected useful life at least
14 equal to the term of the notes. The notes shall be payable in
15 not more than ~~five~~ ten years and shall be issued on terms and in
16 a manner the board determines. A tax levy shall be made for
17 payment of the principal and interest on the notes, in
18 accordance with section 475.61, as in the case of bonds.

19 (b) For purposes of this subdivision, "capital equipment"
20 means:

21 (1) public safety, ambulance, road construction or
22 maintenance, and medical equipment; and

23 (2) computer hardware and ~~original-operating-system~~
24 software, whether bundled with machinery or equipment or
25 unbundled, together with application development services and
26 training related to the use of the computer or software. The
27 authority to issue capital notes for ~~original-operating-systems~~
28 computer software and related services expires on July 1, 2005
29 2007.

30 Sec. 4. Minnesota Statutes 2004, section 373.40,
31 subdivision 1, is amended to read:

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

34 (a) "Bonds" means an obligation as defined under section
35 475.51.

36 (b) "Capital improvement" means acquisition or betterment

1 of public lands, ~~development-rights-in-the-form-of-conservation~~
2 ~~easements-under-chapter-84C~~, buildings, or other improvements
3 within the county for the purpose of a county courthouse,
4 administrative building, health or social service facility,
5 correctional facility, jail, law enforcement center, hospital,
6 morgue, library, park, qualified indoor ice arena, and roads and
7 bridges, and the acquisition of development rights in the form
8 of conservation easements under chapter 84C. An improvement
9 must have an expected useful life of five years or more to
10 qualify. "Capital improvement" does not include light rail
11 transit or any activity related to it or a recreation or sports
12 facility building (such as, but not limited to, a gymnasium, ice
13 arena, racquet sports facility, swimming pool, exercise room or
14 health spa), unless the building is part of an outdoor park
15 facility and is incidental to the primary purpose of outdoor
16 recreation.

17 (c) "Commissioner" means the commissioner of employment and
18 economic development.

19 (d) "Metropolitan county" means a county located in the
20 seven-county metropolitan area as defined in section 473.121 or
21 a county with a population of 90,000 or more.

22 (e) "Population" means the population established by the
23 most recent of the following (determined as of the date the
24 resolution authorizing the bonds was adopted):

25 (1) the federal decennial census,

26 (2) a special census conducted under contract by the United
27 States Bureau of the Census, or

28 (3) a population estimate made either by the Metropolitan
29 Council or by the state demographer under section 4A.02.

30 (f) "Qualified indoor ice arena" means a facility that
31 meets the requirements of section 373.43.

32 (g) "Tax capacity" means total taxable market value, but
33 does not include captured market value.

34 Sec. 5. Minnesota Statutes 2004, section 400.04, is
35 amended by adding a subdivision to read:

36 Subd. 4a. [PERFORMANCE BOND WAIVER OR

1 ALTERNATIVE.] Notwithstanding the requirements of section 574.26
2 or any other public works bond requirements for a solid waste
3 facilities project established under an agreement authorized
4 under chapter 115A or chapter 400, the county may waive the
5 requirement for performance bonds or accept another form of
6 financial guarantee in any amount acceptable to the county, if
7 the project is partially or fully funded by a county, and the
8 county is not liable for financial acceptance until performance
9 guarantees or other standards established under the agreement
10 have been satisfied.

11 Sec. 6. Minnesota Statutes 2004, section 410.32, is
12 amended to read:

13 410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL
14 EQUIPMENT.]

15 (a) Notwithstanding any contrary provision of other law or
16 charter, a home rule charter city may, by resolution and without
17 public referendum, issue capital notes subject to the city debt
18 limit to purchase capital equipment.

19 (b) For purposes of this section, "capital equipment" means:

20 (1) public safety equipment, ambulance and other medical
21 equipment, road construction and maintenance equipment, and
22 other capital equipment; and

23 (2) computer hardware and ~~original-operating-system~~
24 software, ~~provided~~ whether bundled with machinery or equipment
25 or unbundled, together with application development services and
26 training related to the use of the computer or software.

27 (c) The equipment or software has must have an expected
28 useful life at least as long as the term of the notes. The
29 authority to issue capital notes for ~~original-operating-system~~
30 computer software and related services expires on July 1, 2005
31 2007.

32 (d) The notes shall be payable in not more than five ten
33 years and be issued on terms and in the manner the city
34 determines. The total principal amount of the capital notes
35 issued in a fiscal year shall not exceed 0.03 percent of the
36 market value of taxable property in the city for that year.

1 (e) A tax levy shall be made for the payment of the
2 principal and interest on the notes, in accordance with section
3 475.61, as in the case of bonds.

4 (f) Notes issued under this section shall require an
5 affirmative vote of two-thirds of the governing body of the city.

6 (g) Notwithstanding a contrary provision of other law or
7 charter, a home rule charter city may also issue capital notes
8 subject to its debt limit in the manner and subject to the
9 limitations applicable to statutory cities pursuant to section
10 412.301.

11 Sec. 7. Minnesota Statutes 2004, section 412.301, is
12 amended to read:

13 412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

14 (a) The council may issue certificates of indebtedness or
15 capital notes subject to the city debt limits to
16 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 ~~or~~ 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 terms of the certificates or
27 notes. The authority to issue capital notes for original
28 operating system software expires on July 1, ~~2005~~ 2007.

29 (d) Such certificates or notes shall be payable in not more
30 than ~~five~~ ten years and shall be issued on such terms and in
31 such manner as the council may determine.

32 (e) If the amount of the certificates or notes to be issued
33 to finance any such purchase exceeds 0.25 percent of the market
34 value of taxable property in the city, they shall not be issued
35 for at least ten days after publication in the official
36 newspaper of a council resolution determining to issue them; and

1 if before the end of that time, a petition asking for an
 2 election on the proposition signed by voters equal to ten
 3 percent of the number of voters at the last regular municipal
 4 election is filed with the clerk, such certificates or notes
 5 shall not be issued until the proposition of their issuance has
 6 been approved by a majority of the votes cast on the question at
 7 a regular or special election.

8 (f) A tax levy shall be made for the payment of the
 9 principal and interest on such certificates or notes, in
 10 accordance with section 475.61, as in the case of bonds.

11 Sec. 8. Minnesota Statutes 2004, section 428A.101, is
 12 amended to read:

13 428A.101 [~~DEADLINE FOR SPECIAL SERVICE DISTRICT~~ DISTRICTS
 14 UNDER GENERAL LAW.]

15 The establishment of a new special service district after
 16 June 30, ~~2005~~ 2009, requires enactment of a special law
 17 authorizing the establishment of the area.

18 Sec. 9. Minnesota Statutes 2004, section 428A.21, is
 19 amended to read:

20 428A.21 [~~SUNSET DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS~~
 21 UNDER GENERAL LAW.]

22 ~~No~~ The establishment of a new housing improvement areas may
 23 ~~be established under area sections 428A.11 to 428A.20~~ after June
 24 30, ~~2005. After June 30, 2005, a city may establish a housing~~
 25 ~~improvement area, provided that it receives enabling legislation~~
 26 2009, requires enactment of a special law authorizing the
 27 establishment of the area.

28 Sec. 10. Minnesota Statutes 2004, section 429.031, is
 29 amended by adding a subdivision to read:

30 Subd. 4. [IMPROVEMENTS; ORDERLY ANNEXATION.] An
 31 improvement may be made by a municipality in an area that is the
 32 subject of an orderly annexation agreement under section
 33 414.0325 to which the municipality is a party. The municipality
 34 may subsequently reimburse itself for all or any part of the
 35 cost of such an improvement by levying assessments on the
 36 property subject to the orderly annexation agreement, when

1 annexed, in the manner provided in section 429.051, but only if
2 the orderly annexation agreement includes a statement that the
3 municipality intends to do so.

4 Sec. 11. Minnesota Statutes 2004, section 429.051, is
5 amended to read:

6 429.051 [APPORTIONMENT OF COST.]

7 The cost of any improvement, or any part thereof, may be
8 assessed upon property benefited by the improvement, based upon
9 the benefits received, whether or not the property abuts on the
10 improvement and whether or not any part of the cost of the
11 improvement is paid from the county state-aid highway fund, the
12 municipal state-aid street fund, or the trunk highway fund. The
13 area assessed may be less than but may not exceed the area
14 proposed to be assessed as stated in the notice of hearing on
15 the improvement, except as provided below. The municipality may
16 pay such portion of the cost of the improvement as the council
17 may determine from general ad valorem tax levies or from other
18 revenues or funds of the municipality available for the
19 purpose. The municipality may subsequently reimburse itself for
20 all or any of the portion of the cost of ~~a-water,-storm-sewer,-~~
21 ~~er-sanitary-sewer~~ an improvement so paid by levying additional
22 assessments upon any properties abutting on but not previously
23 assessed for the improvement, on notice and hearing as provided
24 for the assessments initially made. To the extent that such an
25 improvement benefits nonabutting properties which may be served
26 by the improvement when one or more later extensions or
27 improvements are made but which are not initially assessed
28 therefor, the municipality may also reimburse itself by adding
29 all or any of the portion of the cost so paid to the assessments
30 levied for any of such later extensions or improvements,
31 provided that notice that such additional amount will be
32 assessed is included in the notice of hearing on the making of
33 such extensions or improvements. The additional assessments
34 herein authorized may be made whether or not the properties
35 assessed were included in the area described in the notice of
36 hearing on the making of the original improvement.

1 In any city of the fourth class electing to proceed under a
2 home rule charter as provided in this chapter, which charter
3 provides for a board of water commissioners and authorizes such
4 board to assess a water frontage tax to defray the cost of
5 construction of water mains, such board may assess the tax based
6 upon the benefits received and without regard to any charter
7 limitation on the amount that may be assessed for each lineal
8 foot of property abutting on the water main. The water frontage
9 tax shall be imposed according to the procedure and, except as
10 herein provided, subject to the limitations of the charter of
11 the city.

12 Sec. 12. Minnesota Statutes 2004, section 469.034,
13 subdivision 2, is amended to read:

14 Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An
15 authority may pledge the general obligation of the general
16 jurisdiction governmental unit as additional security for bonds
17 payable from income or revenues of the project or the
18 authority. The authority must find that the pledged revenues
19 will equal or exceed 110 percent of the principal and interest
20 due on the bonds for each year. The proceeds of the bonds must
21 be used for a qualified housing development project or
22 projects. The obligations must be issued and sold in the manner
23 and following the procedures provided by chapter 475, except the
24 obligations are not subject to approval by the electors, and the
25 maturities may extend to not more than ~~30~~ 35 years ~~from the~~
26 estimated-date-of-completion-of-the-project for obligations sold
27 to finance housing for the elderly and 40 years for other
28 obligations issued under this subdivision. The authority is the
29 municipality for purposes of chapter 475.

30 (b) The principal amount of the issue must be approved by
31 the governing body of the general jurisdiction governmental unit
32 whose general obligation is pledged. Public hearings must be
33 held on issuance of the obligations by both the authority and
34 the general jurisdiction governmental unit. The hearings must
35 be held at least 15 days, but not more than 120 days, before the
36 sale of the obligations.

1 (c) The maximum amount of general obligation bonds that may
2 be issued and outstanding under this section equals the greater
3 of (1) one-half of one percent of the taxable market value of
4 the general jurisdiction governmental unit whose general
5 obligation ~~which includes a tax on property~~ is pledged, or (2)
6 \$3,000,000. In the case of county or multicounty general
7 obligation bonds, the outstanding general obligation bonds of
8 all cities in the county or counties issued under this
9 subdivision must be added in calculating the limit under clause
10 (1).

11 (d) "General jurisdiction governmental unit" means the city
12 in which the housing development project is located. In the
13 case of a county or multicounty authority, the county or
14 counties may act as the general jurisdiction governmental unit.
15 In the case of a multicounty authority, the pledge of the
16 general obligation is a pledge of a tax on the taxable property
17 in each of the counties.

18 (e) "Qualified housing development project" means a housing
19 development project providing housing either for the elderly or
20 for individuals and families with incomes not greater than 80
21 percent of the median family income as estimated by the United
22 States Department of Housing and Urban Development for the
23 standard metropolitan statistical area or the nonmetropolitan
24 county in which the project is located, and will be owned by the
25 authority for the term of the bonds. A qualified housing
26 development project may admit nonelderly individuals and
27 families with higher incomes if:

28 (1) three years have passed since initial occupancy;
29 (2) the authority finds the project is experiencing
30 unanticipated vacancies resulting in insufficient revenues,
31 because of changes in population or other unforeseen
32 circumstances that occurred after the initial finding of
33 adequate revenues; and

34 (3) the authority finds a tax levy or payment from general
35 assets of the general jurisdiction governmental unit will be
36 necessary to pay debt service on the bonds if higher income

1 individuals or families are not admitted.

2 Sec. 13. Minnesota Statutes 2004, section 469.158, is
3 amended to read:

4 469.158 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.]

5 Bonds authorized under sections 469.152 to 469.165 must be
6 issued in accordance with the provisions of chapter 475 relating
7 to bonds payable from income of revenue producing conveniences,
8 except that public sale is not required, the provisions of
9 sections 475.62 and 475.63 do not apply, and the bonds may
10 mature at the time or times, in the amount or amounts, within 30
11 years, or in the case of bonds issued to finance dormitories or
12 other types of student housing, 40 years from date of issue, and
13 may be sold at a price equal to the percentage of the par value
14 thereof, plus accrued interest, and bearing interest at the rate
15 or rates agreed by the contracting party, the purchaser, and the
16 municipality or redevelopment agency, notwithstanding any
17 limitation of interest rate or cost or of the amounts of annual
18 maturities contained in any other law. Bonds issued to refund
19 bonds previously issued pursuant to sections 469.152 to 469.165
20 may be issued in amounts determined by the municipality or
21 redevelopment agency notwithstanding the provisions of section
22 475.67, subdivision 3.

23 Sec. 14. Minnesota Statutes 2004, section 473.39, is
24 amended by adding a subdivision to read:

25 Subd. 1k. [OBLIGATIONS.] After July 1, 2005, in addition
26 to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i,
27 and 1j, the council may issue certificates of indebtedness,
28 bonds, or other obligations under this section in an amount not
29 exceeding \$64,000,000 for capital expenditures as prescribed in
30 the council's regional transit master plan and transit capital
31 improvement program and for related costs, including the costs
32 of issuance and sale of the obligations.

33 Sec. 15. Minnesota Statutes 2004, section 474A.061,
34 subdivision 2c, is amended to read:

35 Subd. 2c. [PUBLIC FACILITIES POOL ALLOCATION.] From the
36 beginning of the calendar year and continuing for a period of

1 120 days, the commissioner shall reserve ~~\$37,000,000~~ \$5,000,000
2 of the available bonding authority from the public facilities
3 pool for applications for public facilities projects to be
4 financed by the Western Lake Superior Sanitary District.
5 Commencing on the second Tuesday in January and continuing on
6 each Monday through the last Monday in July, the commissioner
7 shall allocate available bonding authority from the public
8 facilities pool to applications for eligible public facilities
9 projects received on or before the Monday of the preceding
10 week. If there are two or more applications for public
11 facilities projects from the pool and there is insufficient
12 available bonding authority to provide allocations for all
13 projects in any one week, the available bonding authority shall
14 be awarded by lot unless otherwise agreed to by the respective
15 issuers.

16 Sec. 16. Minnesota Statutes 2004, section 474A.131,
17 subdivision 1, is amended to read:

18 Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues
19 bonds with an allocation received under this chapter shall
20 provide a notice of issue to the department on forms provided by
21 the department stating:

- 22 (1) the date of issuance of the bonds;
- 23 (2) the title of the issue;
- 24 (3) the principal amount of the bonds;
- 25 (4) the type of qualified bonds under federal tax law;
- 26 (5) the dollar amount of the bonds issued that were subject
27 to the annual volume cap; and
- 28 (6) for entitlement issuers, whether the allocation is from
29 current year entitlement authority or is from carryforward
30 authority.

31 For obligations that are issued as a part of a series of
32 obligations, a notice must be provided for each series. A
33 penalty of one-half of the amount of the application deposit not
34 to exceed \$5,000 shall apply to any issue of obligations for
35 which a notice of issue is not provided to the department within
36 five business days after issuance or before ~~the last Monday~~ 4:30

1 p.m. on the last business day in December, whichever occurs
 2 first. Within 30 days after receipt of a notice of issue the
 3 department shall refund a portion of the application deposit
 4 equal to one percent of the amount of the bonding authority
 5 actually issued if a one percent application deposit was made,
 6 or equal to two percent of the amount of the bonding authority
 7 actually issued if a two percent application deposit was made,
 8 less any penalty amount.

9 Sec. 17. Minnesota Statutes 2004, section 475.51,
 10 subdivision 4, is amended to read:

11 Subd. 4. [NET DEBT.] "Net debt" means the amount remaining
 12 after deducting from its gross debt the amount of current
 13 revenues which are applicable within the current fiscal year to
 14 the payment of any debt and the aggregate of the principal of
 15 the following:

16 (1) Obligations issued for improvements which are payable
 17 wholly or partly from the proceeds of special assessments levied
 18 upon property specially benefited thereby, including those which
 19 are general obligations of the municipality issuing them, if the
 20 municipality is entitled to reimbursement in whole or in part
 21 from the proceeds of the special assessments.

22 (2) Warrants or orders having no definite or fixed maturity.

23 (3) Obligations payable wholly from the income from revenue
 24 producing conveniences.

25 (4) Obligations issued to create or maintain a permanent
 26 improvement revolving fund.

27 (5) Obligations issued for the acquisition, and betterment
 28 of public waterworks systems, and public lighting, heating or
 29 power systems, and of any combination thereof or for any other
 30 public convenience from which a revenue is or may be derived.

31 (6) Debt service loans and capital loans made to a school
 32 district under the provisions of sections 126C.68 and 126C.69.

33 (7) Amount of all money and the face value of all
 34 securities held as a debt service fund for the extinguishment of
 35 obligations other than those deductible under this subdivision.

36 (8) Obligations to repay loans made under section 216C.37.

1 (9) Obligations to repay loans made from money received
2 from litigation or settlement of alleged violations of federal
3 petroleum pricing regulations.

4 (10) Obligations issued to pay pension fund liabilities
5 under section 475.52, subdivision 6, or any charter authority.

6 (11) Obligations issued to pay judgments against the
7 municipality under section 475.52, subdivision 6, or any charter
8 authority.

9 (12) All other obligations which under the provisions of
10 law authorizing their issuance are not to be included in
11 computing the net debt of the municipality.

12 Sec. 18. Minnesota Statutes 2004, section 475.52,
13 subdivision 1, is amended to read:

14 Subdivision 1. [STATUTORY CITIES.] Any statutory city may
15 issue bonds or other obligations for the acquisition or
16 betterment of public buildings, means of garbage disposal,
17 hospitals, nursing homes, homes for the aged, schools,
18 libraries, museums, art galleries, parks, playgrounds, stadia,
19 sewers, sewage disposal plants, subways, streets, sidewalks,
20 warning systems; for any utility or other public convenience
21 from which a revenue is or may be derived; for a permanent
22 improvement revolving fund; for changing, controlling or
23 bridging streams and other waterways; for the acquisition and
24 betterment of bridges and roads within two miles of the
25 corporate limits; for the acquisition of development rights in
26 the form of conservation easements under chapter 84C; and for
27 acquisition of equipment for snow removal, street construction
28 and maintenance, or fire fighting. Without limitation by the
29 foregoing the city may issue bonds to provide money for any
30 authorized corporate purpose except current expenses.

31 Sec. 19. Minnesota Statutes 2004, section 475.52,
32 subdivision 3, is amended to read:

33 Subd. 3. [COUNTIES.] Any county may issue bonds for the
34 acquisition or betterment of courthouses, county administrative
35 buildings, health or social service facilities, correctional
36 facilities, law enforcement centers, jails, morgues, libraries,

1 parks, and hospitals, for roads and bridges within the county or
2 bordering thereon and for road equipment and machinery and for
3 ambulances and related equipment; for the acquisition of
4 development rights in the form of conservation easements under
5 chapter 84C, and for capital equipment for the administration
6 and conduct of elections providing the equipment is uniform
7 countywide, except that the power of counties to issue bonds in
8 connection with a library shall not exist in Hennepin County.

9 Sec. 20. Minnesota Statutes 2004, section 475.52,
10 subdivision 4, is amended to read:

11 Subd. 4. [TOWNS.] Any town may issue bonds for the
12 acquisition and betterment of town halls, town roads and
13 bridges, nursing homes and homes for the aged, and for
14 acquisition of equipment for snow removal, road construction or
15 maintenance, and fire fighting; for the acquisition of
16 development rights in the form of conservation easements under
17 chapter 84C; and for the acquisition and betterment of any
18 buildings to house and maintain town equipment.

19 Sec. 21. Minnesota Statutes 2004, section 475.521,
20 subdivision 1, is amended to read:

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

23 (a) "Bonds" mean an obligation defined under section 475.51.

24 (b) "Capital improvement" means acquisition or betterment
25 of public lands, buildings or other improvements for the purpose
26 of a city hall, town hall, library, public safety facility, and
27 public works facility. An improvement must have an expected
28 useful life of five years or more to qualify. Capital
29 improvement does not include light rail transit or any activity
30 related to it, or a park, ~~library,~~ road, bridge, administrative
31 building other than a city or town hall, or land for any of
32 those facilities.

33 (c) "~~city~~" "Municipality" means a home rule charter or
34 statutory city or a town described in section 368.01,
35 subdivision 1 or 1a.

36 Sec. 22. Minnesota Statutes 2004, section 475.521,

1 subdivision 2, is amended to read:

2 Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a
3 city municipality to finance capital improvements under an
4 approved capital improvements plan are not subject to the
5 election requirements of section 475.58. ~~The bonds are subject~~
6 ~~to the net debt limits under section 475.53.~~ The bonds must be
7 approved by an affirmative vote of three-fifths of the members
8 of a five-member ~~city council~~ governing body. In the case of
9 a ~~city council~~ governing body having more or less than five
10 members, the bonds must be approved by a vote of at least
11 two-thirds of the ~~city council~~ members of the governing body.

12 (b) Before the issuance of bonds qualifying under this
13 section, the city municipality must publish a notice of its
14 intention to issue the bonds and the date and time of the
15 hearing to obtain public comment on the matter. The notice must
16 be published in the official newspaper of the city municipality
17 or in a newspaper of general circulation in the city
18 municipality. Additionally, the notice may be posted on the
19 official Web site, if any, of the city municipality. The notice
20 must be published at least 14 but not more than 28 days before
21 the date of the hearing.

22 (c) A city municipality may issue the bonds only after
23 obtaining the approval of a majority of the voters voting on the
24 question of issuing the obligations, if a petition requesting a
25 vote on the issuance is signed by voters equal to five percent
26 of the votes cast in the city municipality in the last general
27 election and is filed with the city clerk within 30 days after
28 the public hearing. The commissioner of revenue shall prepare a
29 suggested form of the question to be presented at the election.

30 Sec. 23. Minnesota Statutes 2004, section 475.521,
31 subdivision 3, is amended to read:

32 Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A city
33 municipality may adopt a capital improvement plan. The plan
34 must cover at least a five-year period beginning with the date
35 of its adoption. The plan must set forth the estimated
36 schedule, timing, and details of specific capital improvements

1 by year, together with the estimated cost, the need for the
2 improvement, and sources of revenue to pay for the improvement.

3 In preparing the capital improvement plan, the ~~city-council~~
4 governing body must consider for each project and for the
5 overall plan:

6 (1) the condition of the ~~city's~~ municipality's existing
7 infrastructure, including the projected need for repair or
8 replacement;

9 (2) the likely demand for the improvement;

10 (3) the estimated cost of the improvement;

11 (4) the available public resources;

12 (5) the level of overlapping debt in the ~~city~~ municipality;

13 (6) the relative benefits and costs of alternative uses of
14 the funds;

15 (7) operating costs of the proposed improvements; and

16 (8) alternatives for providing services most efficiently
17 through shared facilities with other ~~cities~~ municipalities or
18 local government units.

19 (b) The capital improvement plan and annual amendments to
20 it must be approved by the ~~city-council~~ governing body after
21 public hearing.

22 Sec. 24. Minnesota Statutes 2004, section 475.521,
23 subdivision 4, is amended to read:

24 Subd. 4. [LIMITATIONS ON AMOUNT.] A ~~city~~ municipality may
25 not issue bonds under this section if the maximum amount of
26 principal and interest to become due in any year on all the
27 outstanding bonds issued under this section, including the bonds
28 to be issued, will equal or exceed ~~0.05367~~ 0.16 percent of the
29 taxable market value of property in the ~~county~~ municipality.
30 Calculation of the limit must be made using the taxable market
31 value for the taxes payable year in which the obligations are
32 issued and sold. In the case of a municipality with a
33 population of 2,500 or more, the bonds are subject to the net
34 debt limits under section 475.53. In the case of a shared
35 facility in which more than one municipality participates, upon
36 compliance by each participating municipality with the

1 requirements of subdivision 2, the limitations in this
2 subdivision and the net debt represented by the bonds shall be
3 allocated to each participating municipality in proportion to
4 its required financial contribution to the financing of the
5 shared facility, as set forth in the joint powers agreement
6 relating to the shared facility. This section does not limit
7 the authority to issue bonds under any other special or general
8 law.

9 Sec. 25. Minnesota Statutes 2004, section 475.58,
10 subdivision 3b, is amended to read:

11 Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may,
12 without regard to the election requirement under subdivision 1,
13 issue and sell obligations for street reconstruction, if the
14 following conditions are met:

15 (1) the streets are reconstructed under a street
16 reconstruction plan that describes the streets to be
17 reconstructed, the estimated costs, and any planned
18 reconstruction of other streets in the municipality over the
19 next five years, and the plan and issuance of the obligations
20 has been approved by a vote of all of the members of the
21 governing body following a public hearing for which notice has
22 been published in the official newspaper at least ten days but
23 not more than 28 days prior to the hearing; and

24 (2) if a petition requesting a vote on the issuance is
25 signed by voters equal to five percent of the votes cast in the
26 last municipal general election and is filed with the municipal
27 clerk within 30 days of the public hearing, the municipality may
28 issue the bonds only after obtaining the approval of a majority
29 of the voters voting on the question of the issuance of the
30 obligations.

31 (b) Obligations issued under this subdivision are subject
32 to the debt limit of the municipality and are not excluded from
33 net debt under section 475.51, subdivision 4.

34 (c) For purposes of this subdivision, street reconstruction
35 includes utility replacement and relocation and other activities
36 incidental to the street reconstruction, ~~but~~ turn lanes and

1 other improvements having a substantial public safety function,
2 realignments, other modifications to intersect with state and
3 county roads, and the local share of state and county road
4 projects.

5 (d) Except in the case of turn lanes, safety improvements,
6 realignments, intersection modifications, and the local share of
7 state and county road projects, street reconstruction does not
8 include the portion of project cost allocable to widening a
9 street or adding curbs and gutters where none previously existed.

10 Sec. 26. [CITY OF ST. PAUL; RIVERCENTRE COMPLEX
11 OPERATION.]

12 Subdivision 1. [DEFINITIONS.] (a) For the purposes of this
13 section, the terms defined in this subdivision have the meanings
14 given them.

15 (b) "City" means the city of St. Paul, its mayor, city
16 council, and any other board, authority, commission, or officer
17 authorized by law, charter, or ordinance to exercise city powers
18 of the nature referred to in this section.

19 (c) "RiverCentre complex" means collectively the
20 auditorium, convention, conference and education center, arena,
21 and parking ramp facilities presently and commonly known as the
22 Roy Wilkins Auditorium, St. Paul RiverCentre, Xcel Energy
23 Center, and RiverCentre Parking Ramp, including all property,
24 real or personal, tangible or intangible, located in the city,
25 intended to be used as part of the RiverCentre complex or
26 additions to or extensions of it.

27 Subd. 2. [CREATION OF NONPROFIT ORGANIZATION.] As required
28 under Minnesota Statutes, section 465.717, and notwithstanding
29 any other law, city charter provision, or ordinance to the
30 contrary, the city of St. Paul may participate in the creation
31 of a nonprofit organization for the purposes provided in this
32 section.

33 Subd. 3. [GOVERNING BOARD.] (a) The mayor of the city,
34 subject to approval by the city council, shall appoint a
35 majority of the members of the governing board of the nonprofit
36 organization performing all or a part of the activities

1 necessary to carry out the purposes specified in this section.
2 The mayor may designate any officer or employee of the city to
3 serve as a member of the governing board of any nonprofit
4 organization.

5 (b) In addition to the appointments made by the mayor under
6 paragraph (a), the mayor shall designate three members of the
7 city council to serve on the governing board of the nonprofit
8 organization.

9 (c) Notwithstanding any provision contained in the articles
10 of incorporation and bylaws of the nonprofit organization, any
11 member of the governing board appointed by the mayor may be
12 removed only by the mayor for cause.

13 (d) The governing board of the nonprofit organization shall
14 select, subject to the approval of the mayor, a president to
15 serve as chief executive officer and general manager of the
16 nonprofit organization.

17 (e) The procedures in Minnesota Statutes, section 317A.255,
18 subdivision 1, paragraph (b), relating to director conflicts of
19 interest, are not required if the contract or other transaction
20 is between the city and the nonprofit organization.

21 Subd. 4. [RIVERCENTRE MANAGEMENT; AUTHORITY TO CONTRACT
22 WITH NONPROFIT ORGANIZATION.] The city may enter into an
23 agreement with the nonprofit organization created in subdivision
24 2 to equip, maintain, manage, and operate all or a portion of
25 the RiverCentre complex and to manage and operate a convention
26 bureau to market and promote the city as a tourist or convention
27 center. Except as otherwise provided in this section, the
28 nonprofit organization may only contract and utilize and expend
29 funds for these purposes under the direction of its governing
30 board, subject to the accounting, financial reporting, and other
31 conditions that the city may prescribe in a contract made under
32 this section between the city and the nonprofit organization.
33 The nonprofit organization may use the services of the office of
34 the city attorney and the city's purchasing department. All
35 activities performed to carry out these purposes are deemed to
36 be for a public purpose.

1 Subd. 5. [BONDHOLDERS' RIGHTS AND RIVERCENTRE COMPLEX TAX
2 EXEMPTIONS PRESERVED.] (a) The city must protect the rights of
3 holders of bonds issued for the RiverCentre complex, including
4 preserving the tax-exempt status of the bonds.

5 (b) The use and operation of the RiverCentre complex by the
6 nonprofit organization with which the city contracts under this
7 act is a use, lease, or occupancy for public, governmental, and
8 municipal purposes, and the complex is exempt from taxation by
9 the state or any political subdivision of the state during such
10 use, to the extent it would be exempt if the complex was
11 equipped, maintained, managed, and operated by the city.

12 (c) Gross receipts of tickets and admissions to events at
13 the RiverCentre complex sponsored by the nonprofit organization
14 created in this section do not qualify for the sales tax
15 exemption under Minnesota Statutes, section 297A.70, subdivision
16 10.

17 Subd. 6. [APPLICABLE GENERAL LAWS.] The following statutes
18 apply to the nonprofit organization with which the city
19 contracts under this section the same as they apply to the city,
20 to the extent practicable:

21 (1) Minnesota Statutes, chapter 13D, the Minnesota Open
22 Meeting Law; and

23 (2) Minnesota Statutes, chapter 13, the Government Data
24 Practices Act.

25 Subd. 7. [SUCCESSION.] The nonprofit organization with
26 which the city contracts under this section is the successor to
27 all powers, rights, assets, privileges, and interests held and
28 enjoyed by the RiverCentre authority on the effective date of
29 this section, and established by the provisions of Laws 1967,
30 chapter 459, sections 1, 2, 4, and 8, subdivisions 2 and 3,
31 clause (3), as amended; Laws 1982, chapter 523, article 25,
32 sections 4 and 5, as amended; Laws 1998, chapter 404, sections
33 81 and 82; and Minnesota Statutes, section 297A.98. On the
34 effective date of the contract between the city and the
35 nonprofit organization authorized by this section, the
36 RiverCentre authority ceases to exist for only so long as the

1 contract is in effect, and all other laws or provisions
2 specifically relating to the RiverCentre authority and the
3 RiverCentre complex that are not otherwise referenced in this
4 section, do not apply to the nonprofit organization.

5 Subd. 8. [LIABILITY.] The nonprofit organization with
6 which the city contracts under this section is a "municipality,"
7 and the officers, directors, employees, and agents of the
8 nonprofit organization are "employees, officers, or agents,"
9 under Minnesota Statutes, chapter 466, relating to tort
10 liability. The city must defend, save harmless, and indemnify
11 the nonprofit organization, including the nonprofit's officers,
12 directors, employees, and agents, against any claim or demand
13 arising out of the nonprofit organization's performance under
14 the contract.

15 [EFFECTIVE DATE.] This section is effective the day after
16 the city council and the chief clerical officer of the city of
17 St. Paul have timely completed their compliance with Minnesota
18 Statutes, section 645.023, subdivisions 2 and 3.

19 Sec. 27. [TRANSFER OF MHFA BONDING AUTHORITY TO HESO.]
20 Notwithstanding Minnesota Statutes, section 474A.03,
21 subdivision 2a, clause (b), the Minnesota Housing Finance Agency
22 may enter into an agreement with the Higher Education Services
23 Office under which the Higher Education Services Office issues
24 qualified student loan bonds, up to \$50,000,000 of which are
25 issued pursuant to bonding authority allocated to the Minnesota
26 Housing Finance Agency in 2004 under Minnesota Statutes, section
27 474A.03, subdivision 2a, clause (a). This amount is in addition
28 to the bonding authority otherwise allocated to the Higher
29 Education Services Office under Minnesota Statutes, chapter
30 474A. Notwithstanding Minnesota Statutes, section 474A.04,
31 subdivision 1a, 474A.061, or 474A.091, subdivision 2, bonding
32 authority carried forward by the Minnesota Housing Financing
33 Agency from its allocation for 2004 under Minnesota Statutes,
34 section 474A.03, subdivision 2a, clause (b), are exempt from the
35 requirement that the bonding authority be permanently issued by
36 December 31 of the next succeeding calendar year.

1 Sec. 28. [APPLICATION.]

2 Section 14 applies in the counties of Anoka, Carver,
3 Dakota, Hennepin, Ramsey, Scott, and Washington.

4 Sec. 29. [REPEALER.]

5 Minnesota Statutes 2004, section 473.39, subdivision 1f, is
6 repealed.

7 Sec. 30. [EFFECTIVE DATE.]

8 This act is effective the day following final enactment.

9 ARTICLE 7

10 MINERALS; AGGREGATE

11 Section 1. Minnesota Statutes 2004, section 272.02, is
12 amended by adding a subdivision to read:

13 Subd. 68. [PROPERTY USED IN THE BUSINESS OF MINING SUBJECT
14 TO THE NET PROCEEDS TAX.] The following property used in the
15 business of mining subject to the net proceeds tax under section
16 298.015 is exempt:

17 (1) deposits of ores, metals, and minerals and the lands in
18 which they are contained;

19 (2) all real and personal property used in mining,
20 quarrying, producing, or refining ores, minerals, or metals,
21 including lands occupied by or used in connection with the
22 mining, quarrying, production, or refining facilities; and

23 (3) concentrate or direct reduced ore.

24 This exemption applies for each year that a person subject to
25 tax under section 298.015 uses the property for mining,
26 quarrying, producing, or refining ores, metals, or minerals.

27 [EFFECTIVE DATE.] This section is effective for taxes
28 payable in 2006 and thereafter.

29 Sec. 2. Minnesota Statutes 2004, section 290.05,
30 subdivision 1, is amended to read:

31 Subdivision 1. [EXEMPT ENTITIES.] The following
32 corporations, individuals, estates, trusts, and organizations
33 shall be exempted from taxation under this chapter, provided
34 that every such person or corporation claiming exemption under
35 this chapter, in whole or in part, must establish to the
36 satisfaction of the commissioner the taxable status of any

1 income or activity:

2 (a) corporations, individuals, estates, and trusts engaged
3 in the business of mining or producing iron ore and mining,
4 producing, or refining other ores, metals, and minerals, the
5 mining or, production, or refining of which is subject to the
6 occupation tax imposed by section 298.01; but if any such
7 corporation, individual, estate, or trust engages in any other
8 business or activity or has income from any property not used in
9 such business it shall be subject to this tax computed on the
10 net income from such property or such other business or
11 activity. Royalty shall not be considered as income from the
12 business of mining or producing iron ore within the meaning of
13 this section;

14 (b) the United States of America, the state of Minnesota or
15 any political subdivision of either agencies or
16 instrumentalities, whether engaged in the discharge of
17 governmental or proprietary functions; and

18 (c) any insurance company.

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

21 Sec. 3. Minnesota Statutes 2004, section 290.17,
22 subdivision 4, is amended to read:

23 Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or
24 business conducted wholly within this state or partly within and
25 partly without this state is part of a unitary business, the
26 entire income of the unitary business is subject to
27 apportionment pursuant to section 290.191. Notwithstanding
28 subdivision 2, paragraph (c), none of the income of a unitary
29 business is considered to be derived from any particular source
30 and none may be allocated to a particular place except as
31 provided by the applicable apportionment formula. The
32 provisions of this subdivision do not apply to business income
33 subject to subdivision 5, income of an insurance company, or
34 income of an investment company determined under section 290.36,
35 or income of a mine or mineral processing facility subject to
36 tax under section 298.01.

1 (b) The term "unitary business" means business activities
2 or operations which result in a flow of value between them. The
3 term may be applied within a single legal entity or between
4 multiple entities and without regard to whether each entity is a
5 sole proprietorship, a corporation, a partnership or a trust.

6 (c) Unity is presumed whenever there is unity of ownership,
7 operation, and use, evidenced by centralized management or
8 executive force, centralized purchasing, advertising,
9 accounting, or other controlled interaction, but the absence of
10 these centralized activities will not necessarily evidence a
11 nonunitary business. Unity is also presumed when business
12 activities or operations are of mutual benefit, dependent upon
13 or contributory to one another, either individually or as a
14 group.

15 (d) Where a business operation conducted in Minnesota is
16 owned by a business entity that carries on business activity
17 outside the state different in kind from that conducted within
18 this state, and the other business is conducted entirely outside
19 the state, it is presumed that the two business operations are
20 unitary in nature, interrelated, connected, and interdependent
21 unless it can be shown to the contrary.

22 (e) Unity of ownership is not deemed to exist when a
23 corporation is involved unless that corporation is a member of a
24 group of two or more business entities and more than 50 percent
25 of the voting stock of each member of the group is directly or
26 indirectly owned by a common owner or by common owners, either
27 corporate or noncorporate, or by one or more of the member
28 corporations of the group. For this purpose, the term "voting
29 stock" shall include membership interests of mutual insurance
30 holding companies formed under section 60A.077.

31 (f) The net income and apportionment factors under section
32 290.191 or 290.20 of foreign corporations and other foreign
33 entities which are part of a unitary business shall not be
34 included in the net income or the apportionment factors of the
35 unitary business. A foreign corporation or other foreign entity
36 which is required to file a return under this chapter shall file

1 on a separate return basis. The net income and apportionment
2 factors under section 290.191 or 290.20 of foreign operating
3 corporations shall not be included in the net income or the
4 apportionment factors of the unitary business except as provided
5 in paragraph (g).

6 (g) The adjusted net income of a foreign operating
7 corporation shall be deemed to be paid as a dividend on the last
8 day of its taxable year to each shareholder thereof, in
9 proportion to each shareholder's ownership, with which such
10 corporation is engaged in a unitary business. Such deemed
11 dividend shall be treated as a dividend under section 290.21,
12 subdivision 4.

13 Dividends actually paid by a foreign operating corporation
14 to a corporate shareholder which is a member of the same unitary
15 business as the foreign operating corporation shall be
16 eliminated from the net income of the unitary business in
17 preparing a combined report for the unitary business. The
18 adjusted net income of a foreign operating corporation shall be
19 its net income adjusted as follows:

20 (1) any taxes paid or accrued to a foreign country, the
21 commonwealth of Puerto Rico, or a United States possession or
22 political subdivision of any of the foregoing shall be a
23 deduction; and

24 (2) the subtraction from federal taxable income for
25 payments received from foreign corporations or foreign operating
26 corporations under section 290.01, subdivision 19d, clause (10),
27 shall not be allowed.

28 If a foreign operating corporation incurs a net loss,
29 neither income nor deduction from that corporation shall be
30 included in determining the net income of the unitary business.

31 (h) For purposes of determining the net income of a unitary
32 business and the factors to be used in the apportionment of net
33 income pursuant to section 290.191 or 290.20, there must be
34 included only the income and apportionment factors of domestic
35 corporations or other domestic entities other than foreign
36 operating corporations that are determined to be part of the

1 unitary business pursuant to this subdivision, notwithstanding
2 that foreign corporations or other foreign entities might be
3 included in the unitary business.

4 (i) Deductions for expenses, interest, or taxes otherwise
5 allowable under this chapter that are connected with or
6 allocable against dividends, deemed dividends described in
7 paragraph (g), or royalties, fees, or other like income
8 described in section 290.01, subdivision 19d, clause (10), shall
9 not be disallowed.

10 (j) Each corporation or other entity, except a sole
11 proprietorship, that is part of a unitary business must file
12 combined reports as the commissioner determines. On the
13 reports, all intercompany transactions between entities included
14 pursuant to paragraph (h) must be eliminated and the entire net
15 income of the unitary business determined in accordance with
16 this subdivision is apportioned among the entities by using each
17 entity's Minnesota factors for apportionment purposes in the
18 numerators of the apportionment formula and the total factors
19 for apportionment purposes of all entities included pursuant to
20 paragraph (h) in the denominators of the apportionment formula.

21 (k) If a corporation has been divested from a unitary
22 business and is included in a combined report for a fractional
23 part of the common accounting period of the combined report:

24 (1) its income includable in the combined report is its
25 income incurred for that part of the year determined by
26 proration or separate accounting; and

27 (2) its sales, property, and payroll included in the
28 apportionment formula must be prorated or accounted for
29 separately.

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

32 Sec. 4. Minnesota Statutes 2004, section 290.191,
33 subdivision 1, is amended to read:

34 Subdivision 1. [GENERAL RULE.] (a) Except as otherwise
35 provided in section 290.17, subdivision 5, the net income from a
36 trade or business carried on partly within and partly without

1 this state must be apportioned to this state as provided in this
2 section. To the extent that an entity is exempt from taxation
3 under this chapter as provided in section 290.05, the
4 apportionment factors associated with the entity's exempt
5 activities are excluded from the apportionment formula under
6 this section.

7 (b) For purposes of this section, "state" means a state of
8 the United States, the District of Columbia, the commonwealth of
9 Puerto Rico, or any territory or possession of the United States
10 or any foreign country.

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

13 Sec. 5. Minnesota Statutes 2004, section 297A.68,
14 subdivision 4, is amended to read:

15 Subd. 4. [TACONITE, OTHER ORES, METALS, OR MINERALS;
16 PRODUCTION MATERIALS.] Mill liners, grinding rods, and grinding
17 balls that are substantially consumed in the production of
18 taconite or other ores, metals, or minerals are exempt when sold
19 to or stored, used, or consumed by persons taxed under the
20 in-lieu provisions of chapter 298.

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

23 Sec. 6. Minnesota Statutes 2004, section 298.001, is
24 amended by adding a subdivision to read:

25 Subd. 9. [REFINING.] "Refining" means and is limited to
26 refining:

27 (1) of ores, metals, or mineral products, the mining,
28 extraction, or quarrying of which were subject to tax under
29 section 298.015; and

30 (2) carried on by the entity, or an affiliated entity, that
31 mined, extracted, or quarried the metal or mineral products.

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

34 Sec. 7. Minnesota Statutes 2004, section 298.001, is
35 amended by adding a subdivision to read:

36 Subd. 10. [PRECIOUS MINERALS TAX RELIEF AREA.] The

1 "precious minerals tax relief area" means the area of the
2 following Independent School Districts:

- 3 (1) No. 166, Cook County;
4 (2) No. 316, Coleraine;
5 (3) No. 318, Grand Rapids;
6 (4) No. 319, Nashwauk-Keewatin;
7 (5) No. 381, Lake Superior;
8 (6) No. 695, Chisholm;
9 (7) No. 696, Ely;
10 (8) No. 701, Hibbing;
11 (9) No. 706, Virginia;
12 (10) No. 712, Mountain Iron-Buhl;
13 (11) No. 2711, Mesabi East;
14 (12) No. 2142, St. Louis County; and
15 (13) No. 2154, Eveleth-Gilbert.

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

18 Sec. 8. Minnesota Statutes 2004, section 298.01,
19 subdivision 3, is amended to read:

20 Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person
21 engaged in the business of mining, refining, or producing ores,
22 metals, or minerals in this state, except iron ore or taconite
23 concentrates, shall pay an occupation tax to the state of
24 Minnesota as provided in this subdivision. For purposes of this
25 subdivision, mining includes the application of
26 hydrometallurgical processes. The tax is determined in the same
27 manner as the tax imposed by section 290.02, except that
28 sections 290.05, subdivision 1, clause (a), 290.0921, and
29 290.17, subdivision 4, do not apply. Except as provided in
30 section 290.05, subdivision 1, paragraph (a), the tax is in
31 addition to all other taxes.

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

34 Sec. 9. Minnesota Statutes 2004, section 298.01,
35 subdivision 3a, is amended to read:

36 Subd. 3a. [GROSS INCOME.] (a) For purposes of determining

1 a person's taxable income under subdivision 3, gross income is
2 determined by the amount of gross proceeds from mining in this
3 state under section 298.016 and includes any gain or loss
4 recognized from the sale or disposition of assets used in the
5 business in this state.

6 (b) In applying section 290.191, subdivision 5, transfers
7 of ores, metals, or minerals that are subject to tax under this
8 chapter are deemed to be sales outside this state if the ores,
9 metals, or minerals are transported out of this state for
10 further processing or refining by the person engaged in mining
11 after the ores, metals, or minerals have been converted to a
12 marketable quality.

13 (c) In applying section 290.191, subdivision 5, transfers
14 of ores, metals, or minerals that are subject to tax under this
15 chapter are deemed to be sales within this state if the ores,
16 metals, or minerals are received by a purchaser at a point
17 within this state, and the taxpayer is taxable in this state,
18 regardless of the f.o.b. point, or other conditions of the sale,
19 or the ultimate destination of the property.

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

22 Sec. 10. Minnesota Statutes 2004, section 298.01,
23 subdivision 4, is amended to read:

24 Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE
25 CONCENTRATES.] A person engaged in the business of mining or
26 producing of iron ore, taconite concentrates or direct reduced
27 ore in this state shall pay an occupation tax to the state of
28 Minnesota. The tax is determined in the same manner as the tax
29 imposed by section 290.02, except that sections 290.05,
30 subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4,
31 do not apply. The tax is in addition to all other taxes.

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

34 Sec. 11. Minnesota Statutes 2004, section 298.015,
35 subdivision 1, is amended to read:

36 Subdivision 1. [TAX IMPOSED.] A person engaged in the

1 business of mining shall pay to the state of Minnesota for
2 distribution as provided in section 298.018 a net proceeds tax
3 equal to ~~two~~ four percent of the net proceeds from mining in
4 Minnesota. The tax applies to all ~~mineral-and-energy-resources~~
5 ores, metals, and minerals mined ~~or~~, extracted, produced, or
6 refined within the state of Minnesota except for sand, silica
7 sand, gravel, building stone, crushed rock, limestone, granite,
8 dimension granite, dimension stone, horticultural peat, clay,
9 soil, iron ore, and taconite concentrates. Except as provided
10 in section 272.02, subdivision 68, the tax is in addition to all
11 other taxes provided for by law.

12 [EFFECTIVE DATE.] This section is effective for taxes
13 payable in 2006 and thereafter.

14 Sec. 12. Minnesota Statutes 2004, section 298.015,
15 subdivision 2, is amended to read:

16 Subd. 2. [NET PROCEEDS.] For purposes of this section, the
17 term "net proceeds" means the gross proceeds from mining, as
18 defined in section 298.016, less the same deductions allowed ~~in~~
19 ~~section-298-017~~ for purposes of determining taxable income under
20 section 298.01, subdivision 3b. No other credits or deductions
21 shall apply to this tax ~~except-for-those-provided-in-section~~
22 ~~298-017.~~

23 [EFFECTIVE DATE.] This section is effective for taxes
24 payable in 2006 and thereafter.

25 Sec. 13. Minnesota Statutes 2004, section 298.016,
26 subdivision 4, is amended to read:

27 Subd. 4. [DEFINITIONS.] For the purposes of sections
28 298.015 and 298.017, the terms defined in this subdivision have
29 the meaning given them unless the context clearly indicates
30 otherwise.

31 (a) "Metal or mineral products" means all those ~~mineral-and~~
32 ~~energy-resources~~ ores, metals, and minerals subject to the tax
33 provided in section 298.015.

34 (b) "Exploration" means activities designed and engaged in
35 to ascertain the existence, location, extent, or quality of any
36 deposit of metal or mineral products prior to the development of

1 a mining site.

2 (c) "Development" means activities designed and engaged in
3 to prepare or develop a potential mining site for mining after
4 the existence of metal or mineral products in commercially
5 marketable quantities has been disclosed including, but not
6 limited to, the clearing of forestation, the building of roads,
7 removal of overburden, or the sinking of shafts.

8 (d) "Research" means activities designed and engaged in to
9 create new or improved methods of mining, producing, processing,
10 beneficiating, smelting, or refining metal or mineral products.

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

13 Sec. 14. Minnesota Statutes 2004, section 298.018, is
14 amended to read:

15 298.018 [DISTRIBUTION OF PROCEEDS.]

16 Subdivision 1. [WITHIN THE TACONITE PRECIOUS MINERALS
17 ASSISTANCE AREA.] The proceeds of the tax paid under sections
18 298.015 to 298.017 on ores, metals, and minerals and energy
19 resources mined or extracted within the taconite precious
20 minerals assistance area defined in section 273.1341, shall be
21 allocated as follows:

22 (1) five percent to the city or town within which the ores,
23 metals, or minerals or energy resources are mined or extracted;

24 (2) ten percent to the taconite municipal aid account to be
25 distributed as provided in section 298.282 to qualifying
26 municipalities, as defined in section 298.282 and located in the
27 precious minerals assistance area;

28 (3) ten percent to the school district within which the
29 ores, metals, or minerals or energy resources are mined or
30 extracted;

31 (4) ~~20~~ 30 percent to ~~a group of school districts comprised~~
32 ~~of those school districts wherein the mineral or energy resource~~
33 ~~was mined or extracted or in which there is a qualifying~~
34 ~~municipality as defined by section 273.1347, paragraph (b), in~~
35 ~~direct proportion to school district indexes as follows:--for~~
36 ~~each school district, its pupil units determined under section~~

1 ~~126C-05-for-the-prior-school-year-shall-be-multiplied-by-the~~
 2 ~~ratio-of-the-average-adjusted-net-tax-capacity-per-pupil-unit~~
 3 ~~for-school-districts-receiving-aid-under-this-clause-as~~
 4 ~~calculated-pursuant-to-chapters-122A,-126C,-and-127A-for-the~~
 5 ~~school-year-ending-prior-to-distribution-to-the-adjusted-net-tax~~
 6 ~~capacity-per-pupil-unit-of-the-district.--Each-district-shall~~
 7 ~~receive-that-portion-of-the-distribution-which-its-index-bears~~
 8 ~~to-the-sum-of-the-indices-for-all-school-districts-that-receive~~
 9 ~~the-distributions~~ the state general fund to represent the
 10 portion of the tax that is in lieu of the state general tax
 11 under section 275.025;

12 (5) 20 percent to the county within which the ores, metals,
 13 or minerals or energy resources are mined or extracted;

14 (6) ~~20-percent-to-St.-Louis-County-acting-as-the-counties'~~
 15 ~~fiscal-agent-to-be-distributed-as-provided-in-sections-273-134~~
 16 ~~to-273-136;~~

17 ~~(7)~~ five percent to the Iron Range Resources and
 18 Rehabilitation Board for the purposes of section 298.22;

19 ~~(8)-five~~ (7) ten percent to the Douglas J. Johnson economic
 20 protection trust fund; and

21 ~~(9)-five~~ (8) ten percent to the taconite environmental
 22 protection fund.

23 The proceeds of the tax shall be distributed on July 15
 24 each year.

25 Subd. 2. [OUTSIDE THE ~~TACONITE~~ PRECIOUS MINERALS
 26 ASSISTANCE AREA.] The proceeds of the tax paid under sections
 27 298.015 to 298.017 on ores, metals, or minerals and energy
 28 resources mined or extracted outside of the taconite precious
 29 minerals assistance area ~~defined-in-section-273-1341~~, shall be
 30 deposited in the general fund.

31 Subd. 3. [SEGREGATION OF FUNDS.] The proceeds of the tax
 32 allocated under subdivision 1, clauses (2), (6), (7), and (8),
 33 including any investment earnings on them, must be segregated
 34 and separately accounted for in the respective funds or account
 35 to which they are allocated. These amounts must only be
 36 distributed to municipalities within the precious minerals

1 assistance area or used for projects located in the precious
2 minerals assistance area.

3 [EFFECTIVE DATE.] This section is effective for
4 distribution of net proceeds tax revenues made after July 1,
5 2005.

6 Sec. 15. [298.021] [ROYALTY TAX.]

7 In addition to any other taxes imposed by law, a tax is
8 imposed on a royalty, as defined in section 290.923, subdivision
9 1, paid on ore, other than iron ore, taconite, iron sulphides,
10 or semitaconite. The tax equals 12 percent of the amount of the
11 royalty paid. The person paying the royalty shall withhold the
12 tax from the payment and remit the payment to the commissioner
13 at the times and under the procedures provided under section
14 290.923. The commissioner shall deposit proceeds in the general
15 fund and allocate the proceeds as provided under section
16 298.018, subdivision 1.

17 [EFFECTIVE DATE.] This section is effective for royalties
18 paid after June 30, 2005.

19 Sec. 16. Minnesota Statutes 2004, section 298.223,
20 subdivision 1, is amended to read:

21 Subdivision 1. [CREATION; PURPOSES.] A fund called the
22 taconite environmental protection fund is created for the
23 purpose of reclaiming, restoring and enhancing those areas of
24 northeast Minnesota located within the taconite assistance area
25 defined in section 273.1341, that are adversely affected by the
26 environmentally damaging operations involved in mining taconite
27 and iron ore and producing iron ore concentrate and for the
28 purpose of promoting the economic development of northeast
29 Minnesota. The taconite environmental protection fund shall be
30 used for the following purposes:

31 (a) to initiate investigations into matters the Iron Range
32 Resources and Rehabilitation Board determines are in need of
33 study and which will determine the environmental problems
34 requiring remedial action;

35 (b) reclamation, restoration, or reforestation of minelands
36 not otherwise provided for by state law;

1 (c) local economic development projects including
2 ~~construction-of-sewer-and-water-systems,-and-ether~~ but only if
3 those projects are approved by the board, and public works,
4 including construction of sewer and water systems located within
5 the taconite assistance area defined in section 273.1341;

6 (d) monitoring of mineral industry related health problems
7 among mining employees.

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

10 Sec. 17. Minnesota Statutes 2004, section 298.24,
11 subdivision 1, is amended to read:

12 Subdivision 1. (a) For concentrate produced in 2001, 2002,
13 and 2003, there is imposed upon taconite and iron sulphides, and
14 upon the mining and quarrying thereof, and upon the production
15 of iron ore concentrate therefrom, and upon the concentrate so
16 produced, a tax of \$2.103 per gross ton of merchantable iron ore
17 concentrate produced therefrom. For concentrates produced in
18 2005 and 2006, the tax rate is the same rate imposed for
19 concentrates produced in 2004.

20 (b) For concentrates produced in 2004, 2007, and subsequent
21 years, the tax rate shall be equal to the preceding year's tax
22 rate plus an amount equal to the preceding year's tax rate
23 multiplied by the percentage increase in the implicit price
24 deflator from the fourth quarter of the second preceding year to
25 the fourth quarter of the preceding year. "Implicit price
26 deflator" means the implicit price deflator for the gross
27 domestic product prepared by the Bureau of Economic Analysis of
28 the United States Department of Commerce.

29 (c) On concentrates produced in 1997 and thereafter, an
30 additional tax is imposed equal to three cents per gross ton of
31 merchantable iron ore concentrate for each one percent that the
32 iron content of the product exceeds 72 percent, when dried at
33 212 degrees Fahrenheit.

34 (d) Except for taxes payable in 2006 through 2008, the tax
35 shall be imposed on the average of the production for the
36 current year and the previous two years. The rate of the tax

1 imposed will be the current year's tax rate. This clause shall
2 not apply in the case of the closing of a taconite facility if
3 the property taxes on the facility would be higher if this
4 clause and section 298.25 were not applicable.

5 (e) If the tax or any part of the tax imposed by this
6 subdivision is held to be unconstitutional, a tax of \$2.103 per
7 gross ton of merchantable iron ore concentrate produced shall be
8 imposed.

9 (f) Consistent with the intent of this subdivision to
10 impose a tax based upon the weight of merchantable iron ore
11 concentrate, the commissioner of revenue may indirectly
12 determine the weight of merchantable iron ore concentrate
13 included in fluxed pellets by subtracting the weight of the
14 limestone, dolomite, or olivine derivatives or other basic flux
15 additives included in the pellets from the weight of the
16 pellets. For purposes of this paragraph, "fluxed pellets" are
17 pellets produced in a process in which limestone, dolomite,
18 olivine, or other basic flux additives are combined with
19 merchantable iron ore concentrate. No subtraction from the
20 weight of the pellets shall be allowed for binders, mineral and
21 chemical additives other than basic flux additives, or moisture.

22 (g) (1) Notwithstanding any other provision of this
23 subdivision, for the first two years of a plant's commercial
24 production of direct reduced ore, no tax is imposed under this
25 section. As used in this paragraph, "commercial production" is
26 production of more than 50,000 tons of direct reduced ore in the
27 current year or in any prior year, noncommercial production is
28 production of 50,000 tons or less of direct reduced ore in any
29 year, and "direct reduced ore" is ore that results in a product
30 that has an iron content of at least 75 percent. For the third
31 year of a plant's commercial production of direct reduced ore,
32 the rate to be applied to direct reduced ore is 25 percent of
33 the rate otherwise determined under this subdivision. For the
34 fourth such commercial production year, the rate is 50 percent
35 of the rate otherwise determined under this subdivision; for the
36 fifth such commercial production year, the rate is 75 percent of

1 the rate otherwise determined under this subdivision; and for
2 all subsequent commercial production years, the full rate is
3 imposed.

4 (2) Subject to clause (1), production of direct reduced ore
5 in this state is subject to the tax imposed by this section, but
6 if that production is not produced by a producer of taconite or
7 iron sulfides, the production of taconite or iron sulfides
8 consumed in the production of direct reduced iron in this state
9 is not subject to the tax imposed by this section on taconite or
10 iron sulfides.

11 (3) Notwithstanding any other provision of this
12 subdivision, no tax is imposed on direct reduced ore under this
13 section during the facility's noncommercial production of direct
14 reduced ore. The taconite or iron sulphides consumed in the
15 noncommercial production of direct reduced ore is subject to the
16 tax imposed by this section on taconite and iron sulphides.
17 Three-year average production of direct reduced ore does not
18 include production of direct reduced ore in any noncommercial
19 year. Three-year average production for a direct reduced ore
20 facility that has noncommercial production is the average of the
21 commercial production of direct reduced ore for the current year
22 and the previous two commercial years.

23 [EFFECTIVE DATE.] This section is effective for direct
24 reduced ore produced after the date of final enactment.

25 Sec. 18. Minnesota Statutes 2004, section 298.28,
26 subdivision 9b, is amended to read:

27 Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per
28 ~~ton fer-distributions-in-1999, 2000, 2001, 2002, and 2003~~ must
29 be paid to the taconite environmental fund for use under section
30 298.2961, subdivision 4.

31 [EFFECTIVE DATE.] This section is effective for
32 distributions in 2005 and later years.

33 Sec. 19. Minnesota Statutes 2004, section 298.28,
34 subdivision 10, is amended to read:

35 Subd. 10. [INCREASE.] (a) Except as provided in paragraph
36 (b), beginning with distributions in 2000, the amount determined

1 under subdivision 9 shall be increased in the same proportion as
2 the increase in the implicit price deflator as provided in
3 section 298.24, subdivision 1. Beginning with distributions in
4 2003, the amount determined under subdivision 6, paragraph (a),
5 shall be increased in the same proportion as the increase in the
6 implicit price deflator as provided in section 298.24,
7 subdivision 1.

8 (b) For distributions in 2005 and subsequent years, an
9 amount equal to the increased tax proceeds attributable to the
10 increase in the implicit price deflator as provided in section
11 298.24, subdivision 1, for taxes paid in 2005, except for the
12 amount of revenue increases provided in subdivision 4, paragraph
13 (d), is distributed to the grant and loan fund established in
14 section 298.2961, subdivision 4.

15 Sec. 20. Minnesota Statutes 2004, section 298.2961, is
16 amended by adding a subdivision to read:

17 Subd. 4. [GRANT AND LOAN FUND.] (a) A fund is established
18 to receive distributions under section 298.28, subdivision 9b,
19 and to make grants or loans as provided in this subdivision.
20 Any grant or loan made under this subdivision must be approved
21 by a majority of the members of the Iron Range Resources and
22 Rehabilitation Board, established under section 298.22.

23 (b) Distributions received in calendar year 2005 are
24 allocated to the city of Virginia for improvements and repairs
25 to the city's steam heating system.

26 (c) Distributions received in calendar year 2006 are
27 allocated to a project of the public utilities commissions of
28 the cities of Hibbing and Virginia to convert their electrical
29 generating plants to the use of biomass products, such as wood.

30 (d) Distributions received in calendar year 2007 must be
31 paid to the city of Tower to be used for the East Two Rivers
32 project in or near the city of Tower, including replacement of
33 the Marked Trunk Highway 169 bridge over East Two Rivers,
34 demolition of the present Marked Trunk Highway 135 bridge over
35 East Two Rivers, and rerouting of Marked Trunk Highway 135,
36 associated trunk highway construction and reconstruction, and

1 associated marina development.

2 (e) For distributions received in 2008 and later, amounts
3 may be allocated to joint ventures with mining companies for
4 reclamation of lands containing abandoned or worked out mines to
5 convert these lands to marketable properties for residential,
6 recreational, commercial, or other valuable uses.

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

9 Sec. 21. Minnesota Statutes 2004, section 298.75,
10 subdivision 1, is amended to read:

11 Subdivision 1. [DEFINITIONS.] Except as may otherwise be
12 provided, the following words, when used in this section, shall
13 have the meanings herein ascribed to them.

14 (1) "Aggregate material" shall mean nonmetallic natural
15 mineral aggregate including, but not limited to sand, silica
16 sand, gravel, crushed rock, limestone, granite, and borrow, but
17 only if the borrow is transported on a public road, street, or
18 highway. Aggregate material shall not include dimension stone
19 and dimension granite. Aggregate material must be measured or
20 weighed after it has been extracted from the pit, quarry, or
21 deposit.

22 (2) "Person" shall mean any individual, firm, partnership,
23 corporation, organization, trustee, association, or other entity.

24 (3) "Operator" shall mean any person engaged in the
25 business of removing aggregate material from the surface or
26 subsurface of the soil, for the purpose of sale, either directly
27 or indirectly, through the use of the aggregate material in a
28 marketable product or service; except that operator does not
29 include persons engaged in a transaction in which the aggregate
30 is moved within a project's construction limits to other
31 locations within that same project's construction limits.

32 (4) "Extraction site" shall mean a pit, quarry, or deposit
33 containing aggregate material and any contiguous property to the
34 pit, quarry, or deposit which is used by the operator for
35 stockpiling the aggregate material.

36 (5) "Importer" shall mean any person who buys aggregate

1 material produced from a county not listed in paragraph (6) or
2 another state and causes the aggregate material to be imported
3 into a county in this state which imposes a tax on aggregate
4 material.

5 (6) "County" shall mean the counties of Pope, Stearns,
6 Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson,
7 Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay,
8 Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone,
9 Sibley, Hennepin, Washington, Chisago, and Ramsey. County also
10 means any other county whose board has voted after a public
11 hearing to impose the tax under this section and has notified
12 the commissioner of revenue of the imposition of the tax.

13 (7) "Borrow" shall mean granular borrow, consisting of
14 durable particles of gravel and sand, crushed quarry or mine
15 rock, crushed gravel or stone, or any combination thereof, the
16 ratio of the portion passing the (#200) sieve divided by the
17 portion passing the (1 inch) sieve may not exceed 20 percent by
18 mass.

19 [EFFECTIVE DATE.] This section is effective for aggregate
20 sold, imported, transported, or used from a stockpile after June
21 30, 2005.

22 Sec. 22. Minnesota Statutes 2004, section 298.75,
23 subdivision 2, is amended to read:

24 Subd. 2. [TAX IMPOSED.] A county shall impose upon every
25 importer and operator a production tax up to ten cents per cubic
26 yard or up to seven cents per ton of aggregate material removed
27 except that the county board may decide not to impose this tax
28 if it determines that in the previous year operators removed
29 less than 20,000 tons or 14,000 cubic yards of aggregate
30 material from that county. A county or town may exempt an
31 operator from the tax if the operator has removed less than
32 2,500 tons or 1,750 yards from the county in the year that the
33 tax is due and no other aggregate operator has removed material
34 from the same site in the same year. The tax shall be imposed
35 on aggregate material produced in the county when the aggregate
36 material is transported from the extraction site or sold. When

1 aggregate material is stored in a stockpile within the state of
2 Minnesota and a public highway, road or street is not used for
3 transporting the aggregate material, the tax shall be imposed
4 either when the aggregate material is sold, or when it is
5 transported from the stockpile site, or when it is used from the
6 stockpile, whichever occurs first. The tax shall be imposed on
7 an importer when the aggregate material is imported into the
8 county that imposes the tax.

9 If the aggregate material is transported directly from the
10 extraction site to a waterway, railway, or another mode of
11 transportation other than a highway, road or street, the tax
12 imposed by this section shall be apportioned equally between the
13 county where the aggregate material is extracted and the county
14 to which the aggregate material is originally transported. If
15 that destination is not located in Minnesota, then the county
16 where the aggregate material was extracted shall receive all of
17 the proceeds of the tax.

18 [EFFECTIVE DATE.] This section is effective the day
19 following final enactment.

20 Sec. 23. [IRON RANGE RESOURCES AND REHABILITATION
21 COMMISSIONER; BONDS AUTHORIZED.]

22 Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any
23 provision of Minnesota Statutes, chapter 298, to the contrary,
24 the commissioner of Iron Range resources and rehabilitation may
25 issue revenue bonds in a principal amount of \$15,000,000 in one
26 or more series, and bonds to refund those bonds. The proceeds
27 of the bonds must be used to make grants to school districts
28 located in the taconite tax relief area defined in Minnesota
29 Statutes, section 273.134, or the taconite assistance area
30 defined in Minnesota Statutes, section 273.1341, to be used by
31 the school districts to pay for health, safety, and maintenance
32 improvements but only if the school district has levied the
33 maximum amount allowable under law for those purposes.

34 Subd. 2. [APPROPRIATION.] There is annually appropriated
35 from the distribution of taconite production tax revenues to the
36 taconite environmental protection fund pursuant to Minnesota

1 Statutes, section 298.28, subdivision 11, and to the Douglas J.
2 Johnson economic protection trust pursuant to Minnesota
3 Statutes, section 298.28, subdivisions 9 and 11, in equal
4 shares, an amount sufficient to pay when due the principal and
5 interest on the bonds issued pursuant to subdivision 1. If the
6 annual distribution to the Douglas J. Johnson economic
7 protection trust is insufficient to pay its share after
8 fulfilling any obligations of the trust under Minnesota
9 Statutes, section 298.225 or 298.293, the deficiency shall be
10 appropriated from the taconite environmental protection fund.
11 The appropriation under this subdivision terminates upon payment
12 or maturity of the last of the bonds issued under this section.

13 Subd. 3. [CREDIT ENHANCEMENT.] The bonds issued under this
14 section shall be "debt obligations" and the commissioner of Iron
15 Range resources and rehabilitation shall be a "district" for
16 purposes of Minnesota Statutes, section 126C.55, provided that
17 advances made under subdivision 2 of Minnesota Statutes, section
18 126C.55, shall not be subject to subdivisions 4 to 7 of
19 Minnesota Statutes, section 126C.55.

20 Sec. 24. [TRANSITION PROVISION.]
21 Each person with an alternative minimum tax credit on
22 December 31, 2004, pursuant to Minnesota Statutes 2004, section
23 298.01, may take that credit against occupation tax under the
24 provisions of Minnesota Statutes 2004, section 298.01,
25 subdivision 3d or 4e.

26 [EFFECTIVE DATE.] This section is effective the day
27 following final enactment.

28 Sec. 25. [REPEALER.]
29 (a) Minnesota Statutes 2004, section 298.01, subdivisions
30 3c, 3d, 4d, and 4e, are repealed effective for taxable years
31 beginning after December 31, 2004.

32 (b) Minnesota Statutes 2004, section 298.017, is repealed
33 effective for taxes payable in 2006 and thereafter.

34 ARTICLE 8

35 MISCELLANEOUS

36 Section 1. Minnesota Statutes 2004, section 270.30,

1 subdivision 1, is amended to read:

2 Subdivision 1. [SCOPE.] ~~(a) This section applies to a~~
3 ~~person who offers, provides, or facilitates the provision of~~
4 ~~refund anticipation loans, as part of or in connection with the~~
5 ~~provision of tax preparation services.~~

6 ~~(b) This section does not apply to:~~

7 ~~(1) a tax preparer who provides tax preparation services~~
8 ~~for fewer than six clients in a calendar year;~~

9 ~~(2) the provision by a person of tax preparation services~~
10 ~~to a spouse, parent, grandparent, child, or sibling; and~~

11 ~~(3) the provision of services by an employee for an~~
12 ~~employer.~~

13 Sec. 2. Minnesota Statutes 2004, section 270.30,
14 subdivision 5, is amended to read:

15 Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer who
16 provides services for a fee or other consideration must provide
17 an itemized statement of the charges for services, at least
18 separately stating the charges for:

19 (1) return preparation; and

20 (2) ~~electronic filing; and~~

21 ~~(3) providing or facilitating a refund anticipation loan.~~

22 Sec. 3. Minnesota Statutes 2004, section 270.30,
23 subdivision 6, is amended to read:

24 Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may
25 impose an administrative penalty of not more than \$1,000 per
26 violation of subdivision 3, 4, or 5. The commissioner may
27 terminate a tax preparer's authority to transmit returns
28 electronically to the state, if the commissioner determines the
29 tax preparer engaged in a pattern and practice of violating this
30 section. Imposition of a penalty under this subdivision is
31 subject to the contested case procedure under chapter 14. The
32 commissioner shall collect the penalty in the same manner as the
33 income tax. Penalties imposed under this subdivision are public
34 data.

35 Sec. 4. Minnesota Statutes 2004, section 270.30, is
36 amended by adding a subdivision to read:

1 Subd. 6a. [EXCHANGE OF DATA; STATE BOARD OF
 2 ACCOUNTANCY.] The State Board of Accountancy shall refer to the
 3 commissioner complaints it receives about tax preparers who are
 4 not subject to the jurisdiction of the State Board of
 5 Accountancy and who are alleged to have violated the provisions
 6 of subdivisions 3 to 5.

7 Sec. 5. Minnesota Statutes 2004, section 270.30, is
 8 amended by adding a subdivision to read:

9 Subd. 6b. [EXCHANGE OF DATA; LAWYERS BOARD OF PROFESSIONAL
 10 RESPONSIBILITY.] The Lawyers Board of Professional
 11 Responsibility may refer to the commissioner complaints it
 12 receives about tax preparers who are not subject to its
 13 jurisdiction and who are alleged to have violated the provisions
 14 of subdivisions 3 to 5.

15 Sec. 6. Minnesota Statutes 2004, section 270.30, is
 16 amended by adding a subdivision to read:

17 Subd. 6c. [EXCHANGE OF DATA; COMMISSIONER.] The
 18 commissioner shall refer complaints about tax preparers who are
 19 alleged to have violated the provisions of subdivisions 3 to 5
 20 to:

21 (1) the State Board of Accountancy, if the tax preparer is
 22 under its jurisdiction; and

23 (2) the Lawyers Board of Professional Responsibility, if
 24 the tax preparer is under its jurisdiction.

25 Sec. 7. Minnesota Statutes 2004, section 270.30, is
 26 amended by adding a subdivision to read:

27 Subd. 6d. [DATA PRIVATE.] Information exchanged on
 28 individuals under subdivisions 6a to 6c are private data under
 29 section 13.02, subdivision 12, until such time as a penalty is
 30 imposed as provided in section 326A.08 or by the Lawyers Board
 31 of Professional Responsibility.

32 Sec. 8. Minnesota Statutes 2004, section 270.30,
 33 subdivision 8, is amended to read:

34 Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] (a) The
 35 provisions of ~~subdivisions 6 and 7~~ this section, except for
 36 subdivision 4, do not apply to:

1 (1) an attorney admitted to practice under section 481.01;
2 (2) a certified public accountant ~~holding a certificate~~
3 ~~under section 326A.04 or a person issued a permit to practice~~
4 ~~under section 326A.05~~ or other person who is subject to the
5 jurisdiction of the State Board of Accountancy; and

6 (3) ~~a person designated as a registered accounting~~
7 ~~practitioner under Minnesota Rules, part 1105.6600, or a~~
8 ~~registered accounting practitioner firm issued a permit under~~
9 ~~Minnesota Rules, part 1105.7100;~~

10 ~~(4)~~ an enrolled agent who has passed the special enrollment
11 examination administered by the Internal Revenue Service; ~~and.~~

12 (b) The provisions of this section do not apply to:

13 ~~(5)~~ (1) any fiduciary, or the regular employees of a
14 fiduciary, while acting on behalf of the fiduciary estate, the
15 testator, trustor, grantor, or beneficiaries of them;

16 (2) a tax preparer who provides tax preparation services
17 for fewer than six clients in a calendar year;

18 (3) tax preparation services to a spouse, parent,
19 grandparent, child, or sibling of the tax preparer; and

20 (4) the preparation by an employee of the tax return of the
21 employee's employer.

22 Sec. 9. [270.301] [PUBLICATION OF NAMES OF TAX PREPARERS
23 SUBJECT TO PENALTIES.]

24 Subdivision 1. [PUBLICATION OF LIST.] Notwithstanding any
25 other law, the commissioner must publish as provided in this
26 section a list or lists of tax preparers subject to penalties.

27 Subd. 2. [REQUIRED AND EXCLUDED TAX PREPARERS.] (a)
28 Subject to the limitations of paragraphs (b) and (c), the
29 commissioner must publish lists of the tax preparers described
30 in subdivision 1. The list must include:

31 (1) the tax preparers who have been assessed penalties
32 under section 289A.60, subdivision 13, or who have been
33 convicted under section 289A.63;

34 (2) tax preparers against whom cumulative penalties of
35 \$1,000 or more have been assessed under section 270.30,
36 subdivision 6; and

1 (3) tax preparers whose authority to transmit returns
2 electronically has been terminated under section 270.30,
3 subdivision 6, or under section 289A.60, subdivision 13.
4 The list may include tax preparers against whom cumulative
5 penalties of less than \$1,000 have been assessed.

6 (b) For the purposes of this section, a penalty was not
7 assessed if:

8 (1) an administrative or court action contesting the
9 penalty has been filed or served and is unresolved at the time
10 when notice would be given under subdivision 3; or

11 (2) an appeal period to contest the penalty has not expired.

12 (c) Penalties are not subject to publication if:

13 (1) the commissioner is in the process of reviewing or
14 adjusting the penalty; or

15 (2) the commissioner has been notified that the tax
16 preparer is deceased.

17 Subd. 3. [NOTICE TO TAX PREPARER.] (a) At least 30 days
18 before publishing the name of a tax preparer subject to penalty,
19 the commissioner shall mail a written notice to the tax
20 preparer, detailing the amount and nature of each penalty and
21 the intended publication of the information listed in
22 subdivision 4 related to the penalty. The notice must be mailed
23 by first class and certified mail addressed to the last known
24 address of the tax preparer. The notice must include
25 information regarding the exceptions listed in subdivision 2 and
26 must state that the tax preparer's information will not be
27 published if the tax preparer provides information establishing
28 that subdivision 2 prohibits publication of the tax preparer's
29 name.

30 (b) After at least 30 days has elapsed since the notice was
31 mailed and the tax preparer has not proved to the commissioner
32 that subdivision 2 prohibits publication, the commissioner may
33 publish in a list of tax preparers subject to penalty the
34 information about the tax preparer that is listed in subdivision
35 4.

36 Subd. 4. [FORM OF LIST.] The list may be published by any

1 medium or method. The list must contain the name, associated
2 business name or names, address or addresses, and violation or
3 violations for which a penalty was imposed of each tax preparer
4 subject to administrative penalty.

5 Subd. 5. [REMOVAL FROM LIST.] The commissioner shall
6 remove the name of a tax preparer from the list of tax preparers
7 published under this section when:

8 (1) the commissioner determines that the name was included
9 on the list in error;

10 (2) 90 days have elapsed since the preparer has fully paid
11 all fines imposed, served any suspension and demonstrated to the
12 satisfaction of the commissioner that the preparer has
13 successfully completed any remedial actions required by the
14 commissioner, the State Board of Accountancy, or the Lawyers
15 Board of Professional Responsibility; or

16 (3) the commissioner has been notified that the tax
17 preparer is deceased.

18 Subd. 6. [NAMES PUBLISHED IN ERROR.] If the commissioner
19 publishes a name under subdivision 1 in error, the tax preparer
20 whose name was erroneously published has a right to request a
21 retraction and apology. If the tax preparer so requests, the
22 commissioner shall publish a retraction and apology
23 acknowledging that the tax preparer's name was published in
24 error. The retraction and apology must appear in the same
25 medium and the same format as the original list that contained
26 the name listed in error.

27 Subd. 7. [PAYMENT OF DAMAGES.] Actions against the
28 commissioner of revenue or the state of Minnesota arising out of
29 the implementation of this program must be brought under section
30 270.276.

31 [EFFECTIVE DATE.] The requirement of subdivision 1,
32 paragraph (a), clause (2) is effective for crimes committed on
33 or after August 1, 2005. The remainder of subdivision 1 is
34 effective for tax preparers engaging in conduct described in
35 paragraph (a), clause (1) or (3), on or after August 1, 2005.

36 Sec. 10. Minnesota Statutes 2004, section 270A.03,

1 subdivision 5, is amended to read:

2 Subd. 5. [DEBT.] "Debt" means a legal obligation of a
3 natural person to pay a fixed and certain amount of money, which
4 equals or exceeds \$25 and which is due and payable to a claimant
5 agency. The term includes criminal fines imposed under section
6 609.10 or 609.125, fines imposed for petty misdemeanors as
7 defined in section 609.02, subdivision 4a, and restitution. The
8 term also includes the co-payment for the appointment of a
9 district public defender imposed under section 611.17, paragraph
10 (c). A debt may arise under a contractual or statutory
11 obligation, a court order, or other legal obligation, but need
12 not have been reduced to judgment.

13 A debt includes any legal obligation of a current recipient
14 of assistance which is based on overpayment of an assistance
15 grant where that payment is based on a client waiver or an
16 administrative or judicial finding of an intentional program
17 violation; or where the debt is owed to a program wherein the
18 debtor is not a client at the time notification is provided to
19 initiate recovery under this chapter and the debtor is not a
20 current recipient of food support, transitional child care, or
21 transitional medical assistance.

22 A debt does not include any legal obligation to pay a
23 claimant agency for medical care, including hospitalization if
24 the income of the debtor at the time when the medical care was
25 rendered does not exceed the following amount:

- 26 (1) for an unmarried debtor, an income of \$8,800 or less;
27 (2) for a debtor with one dependent, an income of \$11,270
28 or less;
29 (3) for a debtor with two dependents, an income of \$13,330
30 or less;
31 (4) for a debtor with three dependents, an income of
32 \$15,120 or less;
33 (5) for a debtor with four dependents, an income of \$15,950
34 or less; and
35 (6) for a debtor with five or more dependents, an income of
36 \$16,630 or less.

1 The income amounts in this subdivision shall be adjusted
2 for inflation for debts incurred in calendar years 2001 and
3 thereafter. The dollar amount of each income level that applied
4 to debts incurred in the prior year shall be increased in the
5 same manner as provided in section 1(f) of the Internal Revenue
6 Code of 1986, as amended through December 31, 2000, except that
7 for the purposes of this subdivision the percentage increase
8 shall be determined from the year starting September 1, 1999,
9 and ending August 31, 2000, as the base year for adjusting for
10 inflation for debts incurred after December 31, 2000.

11 Debt also includes an agreement to pay a MinnesotaCare
12 premium, regardless of the dollar amount of the premium
13 authorized under section 256L.15, subdivision 1a.

14 Sec. 11. Minnesota Statutes 2004, section 289A.08,
15 subdivision 16, is amended to read:

16 Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC
17 FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return
18 preparer," as defined in section 289A.60, subdivision 13,
19 paragraph ~~(g)~~ (h), who prepared more than 500 100 Minnesota
20 individual income tax returns for the prior calendar year must
21 file all Minnesota individual income tax returns prepared for
22 the current calendar year by electronic means.

23 ~~(b) For tax returns prepared for the tax year beginning in~~
24 ~~2001, the "500" in paragraph (a) is reduced to 250.~~

25 ~~(c) For tax returns prepared for tax years beginning after~~
26 ~~December 31, 2001, the "500" in paragraph (a) is reduced to 100.~~

27 ~~(d)~~ Paragraph (a) does not apply to a return if the
28 taxpayer has indicated on the return that the taxpayer did not
29 want the return filed by electronic means.

30 ~~(e)~~ (c) For each return that is not filed electronically by
31 a tax refund or return preparer under this subdivision,
32 including returns filed under paragraph (d), a paper filing fee
33 of \$5 is imposed upon the preparer. The fee is collected from
34 the preparer in the same manner as income tax. The fee does not
35 apply to returns that the commissioner requires to be filed in
36 paper form.

1 Sec. 12. Minnesota Statutes 2004, section 289A.60,
2 subdivision 13, is amended to read:

3 Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an
4 understatement of liability with respect to a return or claim
5 for refund is due to a willful attempt in any manner to
6 understate the liability for a tax by a person who is a tax
7 return preparer with respect to the return or claim, the person
8 shall pay to the commissioner a penalty of \$500. If a part of a
9 property tax refund claim is excessive due to a willful attempt
10 in any manner to overstate the claim for relief allowed under
11 chapter 290A by a person who is a tax refund or return preparer,
12 the person shall pay to the commissioner a penalty of \$500 with
13 respect to the claim. These penalties may not be assessed
14 against the employer of a tax return preparer unless the
15 employer was actively involved in the willful attempt to
16 understate the liability for a tax or to overstate the claim for
17 refund. These penalties are income tax liabilities and may be
18 assessed at any time as provided in section 289A.38, subdivision
19 5.

20 (b) A civil action in the name of the state of Minnesota
21 may be commenced to enjoin any person who is a tax return
22 preparer doing business in this state from further engaging in
23 any conduct described in paragraph (c). An action under this
24 paragraph must be brought by the attorney general in the
25 district court for the judicial district of the tax return
26 preparer's residence or principal place of business, or in which
27 the taxpayer with respect to whose tax return the action is
28 brought resides. The court may exercise its jurisdiction over
29 the action separate and apart from any other action brought by
30 the state of Minnesota against the tax return preparer or any
31 taxpayer.

32 (c) In an action under paragraph (b), if the court finds
33 that a tax return preparer has:

34 (1) engaged in any conduct subject to a civil penalty under
35 section 289A.60 or a criminal penalty under section 289A.63;

36 (2) misrepresented the preparer's eligibility to practice

1 before the Department of Revenue, or otherwise misrepresented
2 the preparer's experience or education as a tax return preparer;

3 (3) guaranteed the payment of any tax refund or the
4 allowance of any tax credit; or

5 (4) engaged in any other fraudulent or deceptive conduct
6 that substantially interferes with the proper administration of
7 state tax law, and injunctive relief is appropriate to prevent
8 the recurrence of that conduct,
9 the court may enjoin the person from further engaging in that
10 conduct.

11 (d) If the court finds that a tax return preparer has
12 continually or repeatedly engaged in conduct described in
13 paragraph (c), and that an injunction prohibiting that conduct
14 would not be sufficient to prevent the person's interference
15 with the proper administration of state tax laws, the court may
16 enjoin the person from acting as a tax return preparer. The
17 court may not enjoin the employer of a tax return preparer for
18 conduct described in paragraph (c) engaged in by one or more of
19 the employer's employees unless the employer was also actively
20 involved in that conduct.

21 (e) The commissioner may terminate or suspend a tax
22 preparer's authority to transmit returns electronically to the
23 state, if the commissioner determines that the tax preparer has
24 engaged in a pattern and practice of conduct in violation of
25 this subdivision or of section 289A.63.

26 (f) For purposes of this subdivision, the term
27 "understatement of liability" means an understatement of the net
28 amount payable with respect to a tax imposed by state tax law,
29 or an overstatement of the net amount creditable or refundable
30 with respect to a tax. The determination of whether or not
31 there is an understatement of liability must be made without
32 regard to any administrative or judicial action involving the
33 taxpayer. For purposes of this subdivision, the amount
34 determined for underpayment of estimated tax under either
35 section 289A.25 or 289A.26 is not considered an understatement
36 of liability.

1 ~~(f)~~ (g) For purposes of this subdivision, the term
2 "overstatement of claim" means an overstatement of the net
3 amount refundable with respect to a claim for property tax
4 relief provided by chapter 290A. The determination of whether
5 or not there is an overstatement of a claim must be made without
6 regard to administrative or judicial action involving the
7 claimant.

8 ~~(g)~~ (h) For purposes of this section, the term "tax refund
9 or return preparer" means an individual who prepares for
10 compensation, or who employs one or more individuals to prepare
11 for compensation, a return of tax, or a claim for refund of
12 tax. The preparation of a substantial part of a return or claim
13 for refund is treated as if it were the preparation of the
14 entire return or claim for refund. An individual is not
15 considered a tax return preparer merely because the individual:

16 (1) gives typing, reproducing, or other mechanical
17 assistance;

18 (2) prepares a return or claim for refund of the employer,
19 or an officer or employee of the employer, by whom the
20 individual is regularly and continuously employed;

21 (3) prepares a return or claim for refund of any person as
22 a fiduciary for that person; or

23 (4) prepares a claim for refund for a taxpayer in response
24 to a tax order issued to the taxpayer.

25 Sec. 13. Minnesota Statutes 2004, section 290A.07, is
26 amended by adding a subdivision to read:

27 Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner
28 may pay a claim up to 30 days earlier than the first permitted
29 date under subdivision 2a or 3 if the claim is submitted by
30 electronic means.

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

33 Sec. 14. Minnesota Statutes 2004, section 297A.61,
34 subdivision 4, is amended to read:

35 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
36 sale, lease, or rental for any purpose other than resale,

1 sublease, or subrent.

2 (b) A sale of property used by the owner only by leasing it
3 to others or by holding it in an effort to lease it, and put to
4 no use by the owner other than resale after the lease or effort
5 to lease, is a sale of property for resale.

6 (c) A sale of master computer software that is purchased
7 and used to make copies for sale or lease is a sale of property
8 for resale.

9 (d) A sale of building materials, supplies, and equipment
10 to owners, contractors, subcontractors, or builders for the
11 erection of buildings or the alteration, repair, or improvement
12 of real property is a retail sale in whatever quantity sold,
13 whether the sale is for purposes of resale in the form of real
14 property or otherwise.

15 (e) A sale of carpeting, linoleum, or similar floor
16 covering to a person who provides for installation of the floor
17 covering is a retail sale and not a sale for resale since a sale
18 of floor covering which includes installation is a contract for
19 the improvement of real property.

20 (f) A sale of shrubbery, plants, sod, trees, and similar
21 items to a person who provides for installation of the items is
22 a retail sale and not a sale for resale since a sale of
23 shrubbery, plants, sod, trees, and similar items that includes
24 installation is a contract for the improvement of real property.

25 (g) A sale of tangible personal property that is awarded as
26 prizes is a retail sale and is not considered a sale of property
27 for resale.

28 (h) A sale of tangible personal property utilized or
29 employed in the furnishing or providing of services under
30 subdivision 3, paragraph (g), clause (1), including, but not
31 limited to, property given as promotional items, is a retail
32 sale and is not considered a sale of property for resale.

33 (i) A sale of tangible personal property used in conducting
34 lawful gambling under chapter 349 or the state lottery under
35 chapter 349A, including, but not limited to, property given as
36 promotional items, is a retail sale and is not considered a sale

1 of property for resale.

2 (j) A sale of machines, equipment, or devices that are used
3 to furnish, provide, or dispense goods or services, including,
4 but not limited to, coin-operated devices, is a retail sale and
5 is not considered a sale of property for resale.

6 (k) In the case of a lease, a retail sale occurs (1) when
7 an obligation to make a lease payment becomes due under the
8 terms of the agreement or the trade practices of the lessor or
9 (2) in the case of a lease of a motor vehicle, as defined in
10 section 297B.01, subdivision 5, but excluding vehicles with a
11 manufacturer's gross vehicle weight rating greater than 10,000
12 pounds and rentals of vehicles for not more than 28 days, at the
13 time the lease is executed.

14 (l) In the case of a conditional sales contract, a retail
15 sale occurs upon the transfer of title or possession of the
16 tangible personal property.

17 [EFFECTIVE DATE.] This section is effective for leases
18 entered into after September 30, 2005.

19 Sec. 15. Minnesota Statutes 2004, section 297A.67, is
20 amended by adding a subdivision to read:

21 Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has
22 been imposed under section 297F.25 are exempt.

23 [EFFECTIVE DATE.] This section is effective for sales and
24 purchases made after July 31, 2005.

25 Sec. 16. [297A.82] [MOTOR VEHICLE LEASES.]

26 Subdivision 1. [MOTOR VEHICLE LEASE PRICE; PAYMENT.] (a)
27 In the case of a lease of a motor vehicle as provided in section
28 297A.61, subdivision 4, paragraph (k), clause (2), the tax is
29 imposed on the total amount to be paid by the lessee under the
30 lease agreement. The lessor shall collect the tax in full at
31 the time the lease is executed or, if the tax is included in the
32 lease and the lease is assigned, the tax is due from the
33 original lessor at the time the lease is assigned. The total
34 amount to be paid by the lessee under the lease agreement equals
35 the agreed-upon value of the vehicle less manufacturer's
36 rebates, the stated residual value of the leased vehicle, and

1 the total value allowed for a vehicle owned by the lessee taken
2 in trade by the lessor, plus the price of any taxable goods and
3 services included in the lease and the rent charge as provided
4 by Code of Federal Regulations, title 12, section 213.4,
5 excluding any rent charge related to the capitalization of the
6 tax.

7 (b) If the total amount paid by the lessee for use of the
8 leased vehicle includes amounts that are not calculated at the
9 time the lease is executed, the tax is imposed and must be
10 collected by the lessor at the time the amounts are paid by the
11 lessee. In the case of a lease which by its terms may be
12 renewed, the sales tax is due and payable on the total amount to
13 be paid during the initial term of the lease, and then for each
14 subsequent renewal period on the total amount to be paid during
15 the renewal period.

16 (c) If a lease is canceled or rescinded on or before 90
17 days of its execution or if a vehicle is returned to the
18 manufacturer under section 325F.665, the lessor may file a claim
19 for a refund of the total tax paid minus the amount of tax due
20 for the period the vehicle is used by the lessee.

21 (d) If a lease is terminated before the end of its term and
22 the lessee immediately enters into another lease of a motor
23 vehicle subject to the provisions of this section, the lessee
24 may claim a credit on the subsequent lease for sales taxes paid
25 on the first lease. The credit must be determined by
26 multiplying the sales taxes paid on the first lease by a ratio
27 derived from dividing the number of months remaining on the term
28 of the first lease at the time of termination by the number of
29 months contained in the terms of the first lease.

30 Subd. 2. [LEASE OF MOTOR VEHICLES.] When the lease of a
31 motor vehicle as defined in section 297A.61, subdivision 4,
32 paragraph (k), clause (2), originates in another state, the
33 sales tax under subdivision 1 shall be calculated by the lessor
34 on the total amount that is due under the lease agreement after
35 the vehicle is required to be registered in Minnesota. If the
36 total amount to be paid by the lessee under the lease agreement

1 has already been subjected to tax by another state, a credit for
2 taxes paid in the other state is allowed as provided in section
3 297A.80.

4 [EFFECTIVE DATE.] Subdivision 1 of this section is
5 effective for leases entered into after September 30, 2005.
6 Subdivision 2 of this section is effective for vehicles
7 registering in Minnesota after September 30, 2005.

8 Sec. 17. Minnesota Statutes 2004, section 297F.01, is
9 amended by adding a subdivision to read:

10 Subd. 10a. [OUT-OF-STATE RETAILER.] "Out-of-state retailer"
11 means a person engaged outside of this state in the business of
12 selling, or offering to sell, cigarettes or tobacco products to
13 consumers located in this state.

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

16 Sec. 18. [297F.031] [REGISTRATION REQUIREMENT.]

17 Prior to making delivery sales or shipping cigarettes or
18 tobacco products in connection with any sales, an out-of-state
19 retailer shall file with the Department of Revenue a statement
20 setting forth the out-of-state retailer's name, trade name, and
21 the address of the out-of-state retailer's principal place of
22 business and any other place of business.

23 Sec. 19. Minnesota Statutes 2004, section 297F.09, is
24 amended by adding a subdivision to read:

25 Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th
26 day of each calendar month, an out-of-state retailer that has
27 made a delivery of cigarettes or tobacco products or shipped or
28 delivered cigarettes or tobacco products into the state in a
29 delivery sale in the previous calendar month shall file with the
30 Department of Revenue reports in the form and in the manner
31 prescribed by the commissioner of revenue that provides for each
32 delivery sale, the name and address of the purchaser and the
33 brand or brands and quantity of cigarettes or tobacco products
34 sold. A tobacco retailer that meets the requirements of United
35 States Code, title 15, section 375 et seq. satisfies the
36 requirements of this subdivision.

1 Sec. 20. Minnesota Statutes 2004, section 297F.14,
2 subdivision 4, is amended to read:

3 Subd. 4. ~~[BAD DEBT.] The commissioner may adopt rules~~
4 ~~providing a refund of the tax paid under this chapter if the tax~~
5 ~~paid qualifies as a bad debt under section 166(a) of the~~
6 ~~Internal Revenue Code.~~ For any reporting period, a taxpayer may
7 offset against taxes payable under this chapter the amount of
8 taxes previously paid under this chapter that is attributable to
9 a bad debt. The taxes must have been included in a transaction
10 the consideration for which was a debt owed to the taxpayer and
11 which became uncollectible, but only in proportion to the
12 portion of debt that became uncollectible. To qualify for
13 offset under this subdivision, the debt must have qualified as a
14 bad debt under section 166(a) of the Internal Revenue Code. The
15 taxpayer may claim the offset within the time period prescribed
16 in section 297F.17, subdivision 6. If the taxpayer is no longer
17 liable for taxes imposed under this chapter, the commissioner
18 shall refund to the taxpayer the amount of the taxes
19 attributable to the bad debt. Any recovery of the tax claimed
20 as a refund or credit must be reported to the commissioner on
21 the tax return for the month in which the recovery is made. If
22 the taxpayer is no longer required to file returns under this
23 chapter, the taxpayer must reimburse the commissioner for tax
24 recovered in the month following the recovery.

25 [EFFECTIVE DATE.] This section is effective for claims
26 filed on or after July 1, 2005.

27 Sec. 21. [297F.25] [CIGARETTE SALES TAX.]

28 Subdivision 1. [IMPOSITION.] A tax is imposed on
29 distributors on the sale of cigarettes by a cigarette
30 distributor to a retailer or cigarette subjobber for resale in
31 this state. The tax is equal to 6.5 percent of the weighted
32 average retail price. The weighted average retail price must be
33 expressed in cents per pack when rounded to the nearest
34 one-tenth of a cent. The weighted average retail price must be
35 determined annually, with new rates published by May 1, and
36 effective for sales on or after July 1. The weighted average

1 retail price must be established by surveying cigarette
2 retailers statewide in a manner and time determined by the
3 commissioner. The determination of the commissioner pursuant to
4 this subdivision is not a "rule" and is not subject to the
5 Administrative Procedure Act contained in chapter 14. As of
6 August 1, 2005, the tax is 21 cents per pack of 20 cigarettes.
7 For packs of cigarettes with other than 20 cigarettes, the tax
8 must be adjusted proportionally.

9 Subd. 2. [PAYMENT.] Each taxpayer must remit payments of
10 the taxes to the commissioner on the same dates prescribed under
11 section 297F.09, subdivision 1, for cigarette tax returns,
12 including the accelerated remittance of the June liability.

13 Subd. 3. [RETURN.] A taxpayer must file a return with the
14 commissioner on the same dates prescribed under section 297F.09,
15 subdivision 1, for cigarette tax returns. Notwithstanding any
16 other provisions of this chapter, the tax due on the return is
17 based upon actual stamps purchased during the reporting period.

18 Subd. 4. [FORM OF RETURN.] The return must contain the
19 information and be in the form prescribed by the commissioner.

20 Subd. 5. [TAX AS DEBT.] The tax that is required to be
21 paid by the distributor is a debt from the retailer or cigarette
22 subjobber to the distributor recoverable at law in the same
23 manner as other debts. A cigarette retailer or subjobber must
24 pay the tax imposed under subdivision 1 to the distributor
25 before the 12th day of the month following the month in which
26 the cigarettes were purchased from the distributor.

27 Subd. 6. [SALES TAX STAMP.] Payment of the tax imposed
28 under section 297F.05 and by this section must be evidenced by a
29 dual-purpose single stamp affixed to each package.

30 Subd. 7. [ADMINISTRATION.] The stamping, audit,
31 assessment, interest, penalty, appeal, refund, and collection
32 provisions applicable to the taxes imposed under this chapter
33 apply to taxes imposed under this section.

34 Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the
35 provisions of section 297F.10, the commissioner shall deposit
36 all revenues, including penalties and interest, derived from the

1 tax imposed by this section, in the general fund.

2 [EFFECTIVE DATE.] This section is effective for all sales
3 made on or after August 1, 2005.

4 Sec. 22. Minnesota Statutes 2004, section 297I.05,
5 subdivision 4, is amended to read:

6 Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH
7 TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A
8 tax is imposed on mutual insurance companies that sell both
9 property and casualty companies insurance that had total assets
10 greater than \$5,000,000 at the end of the calendar year but that
11 had total assets less than \$1,600,000,000 on December 31, 1989.
12 The rate of tax is equal to:

13 ~~{1} two percent of gross premiums less return premiums on~~
14 ~~all direct business received by the insurer or agents of the~~
15 ~~insurer in Minnesota for life insurance, in cash or otherwise,~~
16 ~~during the year, and~~

17 {2} 1.26 percent of gross premiums less return premiums on
18 all ~~ether~~ direct business received by the insurer or agents of
19 the insurer in Minnesota, in cash or otherwise, during the year,
20 except for life insurance as provided in subdivision 14.

21 [EFFECTIVE DATE.] This section is effective for premiums
22 received after December 31, 2005.

23 Sec. 23. Minnesota Statutes 2004, section 297I.05, is
24 amended by adding a subdivision to read:

25 Subd. 14. [LIFE INSURANCE.] A tax is imposed on life
26 insurance. The rate of tax equals 1.50 percent of gross
27 premiums less return premiums on all direct business received by
28 the insurer or agents of the insurer in Minnesota for life
29 insurance, in cash or otherwise, during the year.

30 [EFFECTIVE DATE.] This section is effective for premiums
31 received after December 31, 2005.

32 Sec. 24. [325D.125] [EMPLOYERS NOT TO MISREPRESENT STATUS
33 OF EMPLOYEES.]

34 Subdivision 1. [MISREPRESENTATION PROHIBITED.] No employer
35 shall misrepresent the nature of its employment relationship
36 with its employees to any federal, state, or local government

1 unit, to other employers or to its employees. An employer
2 misrepresents the nature of its employment relationship with its
3 employees if it makes any statement regarding the nature of the
4 relationship that the employer does not in good faith believe to
5 be true or if it fails to report individuals as employees when
6 legally required to do so.

7 Subd. 2. [EMPLOYEE COERCION PROHIBITED.] No employer shall
8 require or request any employee to enter into any agreement, or
9 sign any document, that results in misclassification of the
10 employee as an independent contractor or otherwise does not
11 accurately reflect the employment relationship with the employer.

12 Subd. 3. [VIOLATIONS.] Any court finding any person guilty
13 of violating this section shall transmit a copy of the
14 documentation of the finding of guilt to the commissioner of
15 labor and industry. The commissioner of labor and industry
16 shall report the finding of guilt to relevant state and federal
17 agencies, including at least the commissioner of commerce, the
18 commissioner of economic security, the commissioner of revenue,
19 the federal Internal Revenue Service, and the United States
20 Department of Labor.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 25. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT
24 DELIVERY SALES.]

25 Subdivision 1. [DEFINITIONS.] (a) For purposes of this
26 section, the following terms have the meanings given, unless the
27 language or context clearly provides otherwise.

28 (b) "Consumer" means an individual who purchases, receives,
29 or possesses tobacco products for personal consumption and not
30 for resale.

31 (c) "Delivery sale" means:

32 (1) a sale of tobacco products to a consumer in this state
33 when:

34 (i) the purchaser submits the order for the sale by means
35 of a telephonic or other method of voice transmission, the mail
36 or any other delivery service, or the Internet or other on-line

1 service; or

2 (ii) the tobacco products are delivered by use of the mail
3 or other delivery service; or

4 (2) a sale of tobacco products that satisfies the criteria
5 in clause (1), item (i), regardless of whether the seller is
6 located inside or outside of the state.

7 A sale of tobacco products to an individual in this state
8 must be treated as a sale to a consumer, unless the individual
9 is licensed as a distributor or retailer of tobacco products.

10 (d) "Delivery service" means a person, including the United
11 States Postal Service, that is engaged in the commercial
12 delivery of letters, packages, or other containers.

13 (e) "Distributor" means a person, whether located inside or
14 outside of this state, other than a retailer, who sells or
15 distributes tobacco products in the state. Distributor does not
16 include a tobacco products manufacturer, export warehouse
17 proprietor, or importer with a valid permit under United States
18 Code, title 26, section 5712 (1997), if the person sells or
19 distributes tobacco products in this state only to distributors
20 who hold valid and current licenses under the laws of a state,
21 or to an export warehouse proprietor or another manufacturer.
22 Distributor does not include a common or contract carrier that
23 is transporting tobacco products under a proper bill of lading
24 or freight bill that states the quantity, source, and
25 destination of tobacco products, or a person who ships tobacco
26 products through this state by common or contract carrier under
27 a bill of lading or freight bill.

28 (f) "Retailer" means a person, whether located inside or
29 outside this state, who sells or distributes tobacco products to
30 a consumer in this state.

31 (g) "Tobacco products" means:

32 (1) cigarettes, as defined in section 297F.01, subdivision
33 3; and

34 (2) smokeless tobacco as defined in section 325F.76.

35 Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY
36 SALE.] (a) This subdivision applies to acceptance of an order

1 for a delivery sale of tobacco products.

2 (b) When accepting the first order for a delivery sale from
3 a consumer, the tobacco retailer shall obtain the following
4 information from the person placing the order:

5 (1) a copy of a valid government-issued document that
6 provides the person's name, current address, photograph, and
7 date of birth; and

8 (2) an original written statement signed by the person
9 documenting that the person:

10 (i) is of legal age to purchase tobacco products in the
11 state;

12 (ii) has made a choice whether to receive mailings from a
13 tobacco retailer;

14 (iii) understands that providing false information may be a
15 violation of law; and

16 (iv) understands that it is a violation of law to purchase
17 tobacco products for subsequent resale or for delivery to
18 persons who are under the legal age to purchase tobacco products.

19 (c) If an order is made as a result of advertisement over
20 the Internet, the tobacco retailer shall request the e-mail
21 address of the purchaser and shall receive payment by credit
22 card or check prior to shipping.

23 (d) Prior to shipping the tobacco products, the tobacco
24 retailer shall verify the information provided under paragraph
25 (b) against a commercially available database. Any such
26 database or databases may also include age and identity
27 information from other government or validated commercial
28 sources, if that additional information is regularly used by
29 government and businesses for the purpose of identity
30 verification and authentication, and if the additional
31 information is used only to supplement and not to replace the
32 government-issued identification data in the age and identity
33 verification process.

34 Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a)
35 This subdivision applies to a tobacco retailer shipping tobacco
36 products pursuant to a delivery sale.

1 (b) The tobacco retailer shall clearly mark the outside of
2 the package of tobacco products to be shipped "tobacco products -
3 adult signature required" and to show the name of the tobacco
4 retailer.

5 (c) The tobacco retailer shall utilize a delivery service
6 that imposes the following requirements:

7 (1) an adult must sign for the delivery; and

8 (2) the person signing for the delivery must show valid
9 government-issued identification that contains a photograph of
10 the person signing for the delivery and indicates that the
11 person signing for the delivery is of legal age to purchase
12 tobacco products and resides at the delivery address.

13 (d) The retailer must provide delivery instructions that
14 clearly indicate the requirements of this subdivision and must
15 declare that state law requires compliance with the requirements.

16 (e) No criminal penalty may be imposed on a person for a
17 violation of this section other than a violation described in
18 paragraph (f) or (g). Whenever it appears to the commissioner
19 that any person has engaged in any act or practice constituting
20 a violation of this section, and the violation is not within two
21 years of any previous violation of this section, the
22 commissioner shall issue and cause to be served upon the person
23 an order requiring the person to cease and desist from violating
24 this section. The order must give reasonable notice of the
25 rights of the person to request a hearing and must state the
26 reason for the entry of the order. Unless otherwise agreed
27 between the parties, a hearing shall be held not later than
28 seven days after the request for the hearing is received by the
29 commissioner after which and within 20 days after the receipt of
30 the administrative law judge's report and subsequent exceptions
31 and argument, the commissioner shall issue an order vacating the
32 cease and desist order, modifying it, or making it permanent as
33 the facts require. If no hearing is requested within 30 days of
34 the service of the order, the order becomes final and remains in
35 effect until modified or vacated by the commissioner. All
36 hearings shall be conducted in accordance with the provisions of

1 chapter 14. If the person to whom a cease and desist order is
2 issued fails to appear at the hearing after being duly notified,
3 the person shall be deemed in default, and the proceeding may be
4 determined against the person upon consideration of the cease
5 and desist order, the allegations of which may be deemed to be
6 true.

7 (f) Any person who violates this section within two years
8 of a violation for which a cease and desist order was issued
9 under paragraph (e), is guilty of a misdemeanor.

10 (g) Any person who commits a third or subsequent violation
11 of this section, including a violation for which a cease and
12 desist order was issued under paragraph (c), within any
13 subsequent two-year period is guilty of a gross misdemeanor.

14 Subd. 4. [COMMON CARRIERS.] This section may not be
15 construed as imposing liability upon any common carrier, or
16 officers or employees of the common carrier, when acting within
17 the scope of business of the common carrier.

18 Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making
19 delivery sales or shipping tobacco products in connection with
20 any sales, an out-of-state retailer must meet the requirements
21 of section 297F.031.

22 Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any
23 tobacco products to a purchaser in this state, the out of state
24 retailer shall comply with all requirements of chapter 297F and
25 shall ensure that all state excise taxes and fees that apply to
26 such tobacco products have been collected and paid to the state
27 and that all related state excise tax stamps or other indicators
28 of state excise tax payment have been properly affixed to those
29 tobacco products.

30 (b) In addition to any penalties under chapter 297F, a
31 distributor who fails to pay any tax due according to paragraph
32 (a) shall pay, in addition to any other penalty, a penalty of 50
33 percent of the tax due but unpaid.

34 Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that
35 apply to in-state tobacco product retailers shall apply to
36 Internet and mail-order sellers that sell into this state.

1 Subd. 8. [FORFEITURE.] Any tobacco product sold or
2 attempted to be sold in a delivery sale that does not meet the
3 requirements of this section is deemed to be contraband and is
4 subject to forfeiture in the same manner as and in accordance
5 with the provisions of section 297F.21.

6 Subd. 9. [CIVIL PENALTIES.] A tobacco retailer or
7 distributor who violates this section or rules adopted under
8 this section is subject to the following fines:

9 (1) for the first violation, a fine of not more than
10 \$1,000; and

11 (2) for the second and any subsequent violation, a fine of
12 not more than \$5,000.

13 Subd. 10. [ENFORCEMENT.] The attorney general may bring an
14 action to enforce this section and may seek injunctive relief,
15 including a preliminary or final injunction, and fines,
16 penalties, and equitable relief and may seek to prevent or
17 restrain actions in violation of this section by any person or
18 any person controlling such person. In addition, a violation of
19 this section is a violation of the Unlawful Trade Practices Act,
20 sections 325D.09 to 325D.16.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 26. Minnesota Statutes 2004, section 366.011, is
24 amended to read:

25 366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

26 A town may impose a reasonable service charge for emergency
27 services, including fire, rescue, medical, and related services
28 provided by the town or contracted for by the town. If the
29 service charge remains unpaid 30 days after a notice of
30 delinquency is sent to the recipient of the service or the
31 recipient's representative or estate, the town or its contractor
32 on behalf of the town may use any lawful means allowed to a
33 private party for the collection of an unsecured delinquent
34 debt. The town may also use the authority of section 366.012 to
35 collect unpaid service charges of this kind from delinquent
36 recipients of services who are owners of taxable real property

1 in the ~~town~~ state.

2 The powers conferred by this section are in addition and
3 supplemental to the powers conferred by any other law for a town
4 to impose a service charge or assessment for a service provided
5 by the town or contracted for by the town.

6 Sec. 27. Minnesota Statutes 2004, section 366.012, is
7 amended to read:

8 366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

9 If a town is authorized to impose a service charge ~~on the~~
10 ~~owner, lessee, or occupant of property, or any of them,~~ for a
11 governmental service provided by the town, the town board may
12 certify to the county auditor of the county in which the
13 recipient of the services owns real property, on or before
14 October 15 for each year, any unpaid service charges which shall
15 then be collected together with property taxes levied against
16 the property. The county auditor shall remit to the town all
17 service charges collected by the auditor on behalf of the town.
18 A charge may be certified to the auditor only if, on or before
19 September 15, the town has given written notice to the property
20 owner of its intention to certify the charge to the auditor.
21 The service charges shall be subject to the same penalties,
22 interest, and other conditions provided for the collection of
23 property taxes. This section is in addition to other law
24 authorizing the collection of unpaid costs and service charges.

25 Sec. 28. [COMPACTS; RETALIATORY TAXES.]

26 The commissioner of revenue may enter into compact
27 agreements with other states for the purpose of eliminating
28 retaliatory insurance premiums tax provisions between this state
29 and other states. The commissioner shall report to the
30 chairpersons of the house and senate tax committees, on or
31 before February 1, 2006, on the actions the commissioner has
32 taken to enter into compact agreements with other states.

33 Sec. 29. [FLOOR STOCKS TAX.]

34 Subdivision 1. [CIGARETTES.] A floor stocks cigarette
35 sales tax is imposed on every person engaged in the business in
36 this state as a distributor, retailer, subjobber, vendor,

1 manufacturer, or manufacturer's representative of cigarettes, on
2 the stamped cigarettes and unaffixed stamps in the person's
3 possession or under the person's control at 12:01 a.m. on August
4 1, 2005. The tax is imposed at the rate of 21 cents per pack of
5 20 cigarettes. For packs of cigarettes with other than 20
6 cigarettes, the tax shall be adjusted proportionally.

7 Each distributor, by August 10, 2005, shall file a return
8 with the commissioner, in the form the commissioner prescribes,
9 showing the stamped cigarettes and unaffixed stamps on hand at
10 12:01 a.m. on August 1, 2005, and the amount of tax due on the
11 cigarettes and unaffixed stamps. The tax imposed by this
12 section is due and payable by September 7, 2005, and after that
13 date bears interest at the rate of one percent a month.

14 Each retailer, subjobber, vendor, manufacturer, or
15 manufacturer's representative, by August 10, 2005, shall file a
16 return with the commissioner, in the form the commissioner
17 prescribes, showing the cigarettes on hand at 12:01 a.m. on
18 August 1, 2005, and the amount of tax due on the cigarettes.
19 The tax imposed by this section is due and payable by September
20 7, 2005, and after that date bears interest at the rate of one
21 percent a month.

22 Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this
23 section is subject to the audit, assessment, penalty, and
24 collection provisions applicable to the taxes imposed under
25 Minnesota Statutes, chapter 297F. The commissioner may require
26 a distributor to receive and maintain copies of floor stocks tax
27 returns filed by all persons requesting a credit for returned
28 cigarettes.

29 Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the tax
30 imposed under this section shall be deposited by the
31 commissioner in the state treasury and credited to the general
32 fund.

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

34 ARTICLE 9

35 DEPARTMENT OF REVENUE

36 INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

1 Section 1. Minnesota Statutes 2004, section 289A.08,
2 subdivision 3, is amended to read:

3 Subd. 3. [CORPORATIONS.] A corporation that is subject to
4 the state's jurisdiction to tax under section 290.014,
5 subdivision 5, must file a return, except that a foreign
6 operating corporation as defined in section 290.01, subdivision
7 6b, is not required to file a return. The commissioner shall
8 adopt rules for the filing of one return on behalf of the
9 members of an affiliated group of corporations that are required
10 to file a combined report. All members of an affiliated group
11 that are required to file a combined report must file one return
12 on behalf of the members of the group under rules adopted by the
13 commissioner. If a corporation claims on a return that it has
14 paid tax in excess of the amount of taxes lawfully due, that
15 corporation may include on that return information necessary for
16 payment of the tax in excess of the amount lawfully due by
17 electronic means.

18 [EFFECTIVE DATE.] This section is effective for returns
19 filed after December 31, 2005.

20 Sec. 2. Minnesota Statutes 2004, section 289A.08,
21 subdivision 7, is amended to read:

22 Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT
23 PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner
24 may allow a partnership with nonresident partners to file a
25 composite return and to pay the tax on behalf of nonresident
26 partners who have no other Minnesota source income. This
27 composite return must include the names, addresses, Social
28 Security numbers, income allocation, and tax liability for the
29 nonresident partners electing to be covered by the composite
30 return.

31 (b) The computation of a partner's tax liability must be
32 determined by multiplying the income allocated to that partner
33 by the highest rate used to determine the tax liability for
34 individuals under section 290.06, subdivision 2c. Nonbusiness
35 deductions, standard deductions, or personal exemptions are not
36 allowed.

1 (c) The partnership must submit a request to use this
2 composite return filing method for nonresident partners. The
3 requesting partnership must file a composite return in the form
4 prescribed by the commissioner of revenue. The filing of a
5 composite return is considered a request to use the composite
6 return filing method.

7 (d) The electing partner must not have any Minnesota source
8 income other than the income from the partnership and other
9 electing partnerships. If it is determined that the electing
10 partner has other Minnesota source income, the inclusion of the
11 income and tax liability for that partner under this provision
12 will not constitute a return to satisfy the requirements of
13 subdivision 1. The tax paid for the individual as part of the
14 composite return is allowed as a payment of the tax by the
15 individual on the date on which the composite return payment was
16 made. If the electing nonresident partner has no other
17 Minnesota source income, filing of the composite return is a
18 return for purposes of subdivision 1.

19 (e) This subdivision does not negate the requirement that
20 an individual pay estimated tax if the individual's liability
21 would exceed the requirements set forth in section 289A.25. A
22 composite estimate may, however, be filed in a manner similar to
23 and containing the information required under paragraph (a).

24 (f) If an electing partner's share of the partnership's
25 gross income from Minnesota sources is less than the filing
26 requirements for a nonresident under this subdivision, the tax
27 liability is zero. However, a statement showing the partner's
28 share of gross income must be included as part of the composite
29 return.

30 (g) The election provided in this subdivision is not only
31 available to any a partner other-than who has no other Minnesota
32 source income and who is either (1) a full-year nonresident
33 individual who-has-no-other-Minnesota-source-income or (2) a
34 trust or estate that does not claim a deduction under either
35 section 651 or 661 of the Internal Revenue Code.

36 (h) A corporation defined in section 290.9725 and its

1 nonresident shareholders may make an election under this
2 paragraph. The provisions covering the partnership apply to the
3 corporation and the provisions applying to the partner apply to
4 the shareholder.

5 (i) Estates and trusts distributing current income only and
6 the nonresident individual beneficiaries of the estates or
7 trusts may make an election under this paragraph. The
8 provisions covering the partnership apply to the estate or
9 trust. The provisions applying to the partner apply to the
10 beneficiary.

11 (j) For the purposes of this subdivision, "income" means
12 the partner's share of federal adjusted gross income from the
13 partnership modified by the additions provided in section
14 290.01, subdivision 19a, clauses (6) and (7), and the
15 subtractions provided in section 290.01, subdivision 19b, clause
16 (11), to the extent the amount is assignable or allocable to
17 Minnesota under section 290.17. The subtraction allowed under
18 section 290.01, subdivision 19b, clause (11), is only allowed on
19 the composite tax computation to the extent the electing partner
20 would have been allowed the subtraction.

21 [EFFECTIVE DATE.] This section is effective for tax years
22 beginning after December 31, 2004.

23 Sec. 3. Minnesota Statutes 2004, section 289A.18,
24 subdivision 1, is amended to read:

25 Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME,
26 CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S
27 CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY
28 RETURNS.] The returns required to be made under sections 289A.08
29 and 289A.12 must be filed at the following times:

30 (1) returns made on the basis of the calendar year must be
31 filed on April 15 following the close of the calendar year,
32 except that returns of corporations must be filed on March 15
33 following the close of the calendar year;

34 (2) returns made on the basis of the fiscal year must be
35 filed on the 15th day of the fourth month following the close of
36 the fiscal year, except that returns of corporations must be

1 filed on the 15th day of the third month following the close of
2 the fiscal year;

3 (3) returns for a fractional part of a year must be filed
4 on the 15th day of the fourth month following the end of the
5 month in which falls the last day of the period for which the
6 return is made, except that the returns of corporations must be
7 filed on the 15th day of the third month following the end of
8 the month tax year of the unitary group in which falls the last
9 day of the period for which the return is made;

10 (4) in the case of a final return of a decedent for a
11 fractional part of a year, the return must be filed on the 15th
12 day of the fourth month following the close of the 12-month
13 period that began with the first day of that fractional part of
14 a year;

15 (5) in the case of the return of a cooperative association,
16 returns must be filed on or before the 15th day of the ninth
17 month following the close of the taxable year;

18 (6) if a corporation has been divested from a unitary group
19 and files a return for a fractional part of a year in which it
20 was a member of a unitary business that files a combined report
21 under section 290.34, subdivision 2, the divested corporation's
22 return must be filed on the 15th day of the third month
23 following the close of the common accounting period that
24 includes the fractional year;

25 (7) returns of entertainment entities must be filed on
26 April 15 following the close of the calendar year;

27 (8) returns required to be filed under section 289A.08,
28 subdivision 4, must be filed on the 15th day of the fifth month
29 following the close of the taxable year;

30 (9) returns of mining companies must be filed on May 1
31 following the close of the calendar year; and

32 (10) returns required to be filed with the commissioner
33 under section 289A.12, subdivision 2, 4 to 10, or 14, must be
34 filed within 30 days after being demanded by the commissioner.

35 [EFFECTIVE DATE.] This section is effective for fractional
36 years closing after December 31, 2004.

1 Sec. 4. Minnesota Statutes 2004, section 289A.38,
2 subdivision 7, is amended to read:

3 Subd. 7. [FEDERAL TAX CHANGES.] If the amount of income,
4 items of tax preference, deductions, or credits for any year of
5 a taxpayer as reported to the Internal Revenue Service is
6 changed or corrected by the commissioner of Internal Revenue or
7 other officer of the United States or other competent authority,
8 or where a renegotiation of a contract or subcontract with the
9 United States results in a change in income, items of tax
10 preference, deductions, credits, or withholding tax, or, in the
11 case of estate tax, where there are adjustments to the taxable
12 estate resulting in a change to the credit for state death
13 taxes, the taxpayer shall report the change or correction or
14 renegotiation results in writing to the commissioner. The
15 report must be submitted within 180 days after the final
16 determination and must be in the form of either an amended
17 Minnesota estate, withholding tax, corporate franchise tax, or
18 income tax return conceding the accuracy of the federal
19 determination or a letter detailing how the federal
20 determination is incorrect or does not change the Minnesota
21 tax. An amended Minnesota income tax return must be accompanied
22 by an amended property tax refund return, if necessary. A
23 taxpayer filing an amended federal tax return must also file a
24 copy of the amended return with the commissioner of revenue
25 within 180 days after filing the amended return.

26 [EFFECTIVE DATE.] This section is effective the day
27 following final enactment.

28 Sec. 5. Minnesota Statutes 2004, section 289A.50,
29 subdivision 1a, is amended to read:

30 Subd. 1a. [REFUND FORM.] On or before January 1, 2000, the
31 commissioner of revenue shall prepare and make available to
32 taxpayers a form for filing claims for refund of taxes paid in
33 excess of the amount due. ~~If the commissioner fails to prepare~~
34 ~~a form under this subdivision by January 17, 2000, any claims for~~
35 ~~refund made after January 17, 2000, and up to ten days after the~~
36 ~~form is made available to taxpayers are deemed to be made in~~

1 ~~compliance-with-the-requirement-of-the-form-~~ The commissioner
2 may request corporate franchise taxpayers claiming a refund of
3 corporate franchise taxes paid in excess of the amount lawfully
4 due to include on the claim for refund or amended return
5 information necessary for payment of the taxes paid in excess of
6 taxes lawfully due by electronic means.

7 [EFFECTIVE DATE.] This section is effective for claims for
8 refund filed after December 31, 2005.

9 Sec. 6. Minnesota Statutes 2004, section 290.01,
10 subdivision 19a, is amended to read:

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

14 (1)(i) interest income on obligations of any state other
15 than Minnesota or a political or governmental subdivision,
16 municipality, or governmental agency or instrumentality of any
17 state other than Minnesota exempt from federal income taxes
18 under the Internal Revenue Code or any other federal statute;
19 and

20 (ii) exempt-interest dividends as defined in section
21 852(b)(5) of the Internal Revenue Code, except the portion of
22 the exempt-interest dividends derived from interest income on
23 obligations of the state of Minnesota or its political or
24 governmental subdivisions, municipalities, governmental agencies
25 or instrumentalities, but only if the portion of the
26 exempt-interest dividends from such Minnesota sources paid to
27 all shareholders represents 95 percent or more of the
28 exempt-interest dividends that are paid by the regulated
29 investment company as defined in section 851(a) of the Internal
30 Revenue Code, or the fund of the regulated investment company as
31 defined in section 851(g) of the Internal Revenue Code, making
32 the payment; and

33 (iii) for the purposes of items (i) and (ii), interest on
34 obligations of an Indian tribal government described in section
35 7871(c) of the Internal Revenue Code shall be treated as
36 interest income on obligations of the state in which the tribe

1 is located;

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

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

17 (4) the amount of income taxes paid or accrued within the
18 taxable year under this chapter and ~~income taxes~~ based on net
19 income paid to any other state or any province or territory of
20 Canada, to the extent allowed as a deduction in determining
21 federal adjusted gross income. For the purpose of this
22 paragraph, income taxes do not include the taxes imposed by
23 sections 290.0922, subdivision 1, paragraph (b), 290.9727,
24 290.9728, and 290.9729;

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

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

33 (7) 80 percent of the depreciation deduction allowed under
34 section 168(k) of the Internal Revenue Code. For purposes of
35 this clause, if the taxpayer has an activity that in the taxable
36 year generates a deduction for depreciation under section 168(k)

1 and the activity generates a loss for the taxable year that the
2 taxpayer is not allowed to claim for the taxable year, "the
3 depreciation allowed under section 168(k)" for the taxable year
4 is limited to excess of the depreciation claimed by the activity
5 under section 168(k) over the amount of the loss from the
6 activity that is not allowed in the taxable year. In succeeding
7 taxable years when the losses not allowed in the taxable year
8 are allowed, the depreciation under section 168(k) is allowed.

9 [EFFECTIVE DATE.] This section is effective for tax years
10 beginning after December 31, 2004.

11 Sec. 7. Minnesota Statutes 2004, section 290.01,
12 subdivision 19b, is amended to read:

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

16 (1) net interest income on obligations of any authority,
17 commission, or instrumentality of the United States to the
18 extent includable in taxable income for federal income tax
19 purposes but exempt from state income tax under the laws of the
20 United States;

21 (2) if included in federal taxable income, the amount of
22 any overpayment of income tax to Minnesota or to any other
23 state, for any previous taxable year, whether the amount is
24 received as a refund or as a credit to another taxable year's
25 income tax liability;

26 (3) the amount paid to others, less the amount used to
27 claim the credit allowed under section 290.0674, not to exceed
28 \$1,625 for each qualifying child in grades kindergarten to 6 and
29 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
30 textbooks, and transportation of each qualifying child in
31 attending an elementary or secondary school situated in
32 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
33 wherein a resident of this state may legally fulfill the state's
34 compulsory attendance laws, which is not operated for profit,
35 and which adheres to the provisions of the Civil Rights Act of
36 1964 and chapter 363A. For the purposes of this clause,

1 "tuition" includes fees or tuition as defined in section
2 290.0674, subdivision 1, clause (1). As used in this clause,
3 "textbooks" includes books and other instructional materials and
4 equipment purchased or leased for use in elementary and
5 secondary schools in teaching only those subjects legally and
6 commonly taught in public elementary and secondary schools in
7 this state. Equipment expenses qualifying for deduction
8 includes expenses as defined and limited in section 290.0674,
9 subdivision 1, clause (3). "Textbooks" does not include
10 instructional books and materials used in the teaching of
11 religious tenets, doctrines, or worship, the purpose of which is
12 to instill such tenets, doctrines, or worship, nor does it
13 include books or materials for, or transportation to,
14 extracurricular activities including sporting events, musical or
15 dramatic events, speech activities, driver's education, or
16 similar programs. For purposes of the subtraction provided by
17 this clause, "qualifying child" has the meaning given in section
18 32(c)(3) of the Internal Revenue Code;

19 (4) income as provided under section 290.0802;

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

23 ~~(6) to the extent included in federal taxable income,~~
24 ~~postservice benefits for youth community service under section~~
25 ~~124D-42 for volunteer service under United States Code, title~~
26 ~~427 sections 12601 to 12604;~~

27 ~~(7)~~ to the extent not deducted in determining federal
28 taxable income by an individual who does not itemize deductions
29 for federal income tax purposes for the taxable year, an amount
30 equal to 50 percent of the excess of charitable contributions
31 allowable as a deduction for the taxable year under section
32 170(a) of the Internal Revenue Code over \$500;

33 ~~(8)~~ (7) for taxable years beginning before January 1, 2008,
34 the amount of the federal small ethanol producer credit allowed
35 under section 40(a)(3) of the Internal Revenue Code which is
36 included in gross income under section 87 of the Internal

1 Revenue Code;

2 ~~(9)~~ (8) for individuals who are allowed a federal foreign
3 tax credit for taxes that do not qualify for a credit under
4 section 290.06, subdivision 22, an amount equal to the carryover
5 of subnational foreign taxes for the taxable year, but not to
6 exceed the total subnational foreign taxes reported in claiming
7 the foreign tax credit. For purposes of this clause, "federal
8 foreign tax credit" means the credit allowed under section 27 of
9 the Internal Revenue Code, and "carryover of subnational foreign
10 taxes" equals the carryover allowed under section 904(c) of the
11 Internal Revenue Code minus national level foreign taxes to the
12 extent they exceed the federal foreign tax credit;

13 ~~(10)~~ (9) in each of the five tax years immediately
14 following the tax year in which an addition is required under
15 subdivision 19a, clause (7), or 19c, clause (16), in the case of
16 a shareholder of a corporation that is an S corporation, an
17 amount equal to one-fifth of the delayed depreciation. For
18 purposes of this clause, "delayed depreciation" means the amount
19 of the addition made by the taxpayer under subdivision 19a,
20 clause (7), or subdivision 19c, clause (16), in the case of a
21 shareholder of an S corporation, minus the positive value of any
22 net operating loss under section 172 of the Internal Revenue
23 Code generated for the tax year of the addition. The resulting
24 delayed depreciation cannot be less than zero; and

25 ~~(11)~~ (10) job opportunity building zone income as provided
26 under section 469.316.

27 **[EFFECTIVE DATE.]** The amendment to clause (9) is effective
28 retroactively for tax years beginning after December 31, 2001.
29 The rest of this section is effective for the tax years
30 beginning after December 31, 2004.

31 Sec. 8. Minnesota Statutes 2004, section 290.01,
32 subdivision 19c, is amended to read:

33 Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE
34 INCOME.] For corporations, there shall be added to federal
35 taxable income:

36 (1) the amount of any deduction taken for federal income

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

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

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

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

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

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

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

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

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

34 (10) for certified pollution control facilities placed in
35 service in a taxable year beginning before December 31, 1986,
36 and for which amortization deductions were elected under section

1 169 of the Internal Revenue Code of 1954, as amended through
2 December 31, 1985, the amount of the amortization deduction
3 allowed in computing federal taxable income for those
4 facilities;

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

8 ~~(12) the amount of any environmental tax paid under section~~
9 ~~59(a) of the Internal Revenue Code;~~

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

14 ~~(14)~~ (13) the amount of net income excluded under section
15 114 of the Internal Revenue Code;

16 ~~(15)~~ (14) any increase in subpart F income, as defined in
17 section 952(a) of the Internal Revenue Code, for the taxable
18 year when subpart F income is calculated without regard to the
19 provisions of section 614 of Public Law 107-147; and

20 ~~(16)~~ (15) 80 percent of the depreciation deduction allowed
21 under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue
22 Code. For purposes of this clause, if the taxpayer has an
23 activity that in the taxable year generates a deduction for
24 depreciation under section 168(k)(1)(A) and (k)(4)(A) and the
25 activity generates a loss for the taxable year that the taxpayer
26 is not allowed to claim for the taxable year, "the depreciation
27 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the
28 taxable year is limited to excess of the depreciation claimed by
29 the activity under section 168(k)(1)(A) and (k)(4)(A) over the
30 amount of the loss from the activity that is not allowed in the
31 taxable year. In succeeding taxable years when the losses not
32 allowed in the taxable year are allowed, the depreciation under
33 section 168(k)(1)(A) and (k)(4)(A) is allowed.

34 **[EFFECTIVE DATE.]** This section is effective the day
35 following final enactment.

36 Sec. 9. Minnesota Statutes 2004, section 290.06,

1 subdivision 22, is amended to read:

2 Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A
3 taxpayer who is liable for taxes based on ~~or-measured-by~~ net
4 income to another state, as provided in paragraphs (b) through
5 (f), upon income allocated or apportioned to Minnesota, is
6 entitled to a credit for the tax paid to another state if the
7 tax is actually paid in the taxable year or a subsequent taxable
8 year. A taxpayer who is a resident of this state pursuant to
9 section 290.01, subdivision 7, ~~clause-(2)~~ paragraph (b), and who
10 is subject to income tax as a resident in the state of the
11 individual's domicile is not allowed this credit unless the
12 state of domicile does not allow a similar credit.

13 (b) For an individual, estate, or trust, the credit is
14 determined by multiplying the tax payable under this chapter by
15 the ratio derived by dividing the income subject to tax in the
16 other state that is also subject to tax in Minnesota while a
17 resident of Minnesota by the taxpayer's federal adjusted gross
18 income, as defined in section 62 of the Internal Revenue Code,
19 modified by the addition required by section 290.01, subdivision
20 19a, clause (1), and the subtraction allowed by section 290.01,
21 subdivision 19b, clause (1), to the extent the income is
22 allocated or assigned to Minnesota under sections 290.081 and
23 290.17.

24 (c) If the taxpayer is an athletic team that apportions all
25 of its income under section 290.17, subdivision 5, the credit is
26 determined by multiplying the tax payable under this chapter by
27 the ratio derived from dividing the total net income subject to
28 tax in the other state by the taxpayer's Minnesota taxable
29 income.

30 (d) The credit determined under paragraph (b) or (c) shall
31 not exceed the amount of tax so paid to the other state on the
32 gross income earned within the other state subject to tax under
33 this chapter, nor shall the allowance of the credit reduce the
34 taxes paid under this chapter to an amount less than what would
35 be assessed if such income amount was excluded from taxable net
36 income.

1 (e) In the case of the tax assessed on a lump sum
2 distribution under section 290.032, the credit allowed under
3 paragraph (a) is the tax assessed by the other state on the lump
4 sum distribution that is also subject to tax under section
5 290.032, and shall not exceed the tax assessed under section
6 290.032. To the extent the total lump sum distribution defined
7 in section 290.032, subdivision 1, includes lump sum
8 distributions received in prior years or is all or in part an
9 annuity contract, the reduction to the tax on the lump sum
10 distribution allowed under section 290.032, subdivision 2,
11 includes tax paid to another state that is properly apportioned
12 to that distribution.

13 (f) If a Minnesota resident reported an item of income to
14 Minnesota and is assessed tax in such other state on that same
15 income after the Minnesota statute of limitations has expired,
16 the taxpayer shall receive a credit for that year under
17 paragraph (a), notwithstanding any statute of limitations to the
18 contrary. The claim for the credit must be submitted within one
19 year from the date the taxes were paid to the other state. The
20 taxpayer must submit sufficient proof to show entitlement to a
21 credit.

22 (g) For the purposes of this subdivision, a resident
23 shareholder of a corporation treated as an "S" corporation under
24 section 290.9725, must be considered to have paid a tax imposed
25 on the shareholder in an amount equal to the shareholder's pro
26 rata share of any net income tax paid by the S corporation to
27 another state. For the purposes of the preceding sentence, the
28 term "net income tax" means any tax imposed on or measured by a
29 corporation's net income.

30 (h) For the purposes of this subdivision, a resident
31 partner of an entity taxed as a partnership under the Internal
32 Revenue Code must be considered to have paid a tax imposed on
33 the partner in an amount equal to the partner's pro rata share
34 of any net income tax paid by the partnership to another state.
35 For purposes of the preceding sentence, the term "net income"
36 tax means any tax imposed on or measured by a partnership's net

1 income.

2 (i) For the purposes of this subdivision, "another state":

3 (1) includes:

4 (i) the District of Columbia; and

5 (ii) a province or territory of Canada; but

6 (2) excludes Puerto Rico and the several territories

7 organized by Congress.

8 (j) The limitations on the credit in paragraphs (b), (c),

9 and (d), are imposed on a state by state basis.

10 (k) For a tax imposed by a province or territory of Canada,

11 the tax for purposes of this subdivision is the excess of the

12 tax over the amount of the foreign tax credit allowed under

13 section 27 of the Internal Revenue Code. In determining the

14 amount of the foreign tax credit allowed, the net income taxes

15 imposed by Canada on the income are deducted first. Any

16 remaining amount of the allowable foreign tax credit reduces the

17 provincial or territorial tax that qualifies for the credit

18 under this subdivision.

19 [EFFECTIVE DATE.] This section is effective for tax years
20 beginning after December 31, 2004.

21 Sec. 10. Minnesota Statutes 2004, section 290.0674,
22 subdivision 1, is amended to read:

23 Subdivision 1. [CREDIT ALLOWED.] An individual is allowed
24 a credit against the tax imposed by this chapter in an amount
25 equal to 75 percent of the amount paid for education-related
26 expenses for a qualifying child in kindergarten through grade
27 12. For purposes of this section, "education-related expenses"
28 means:

29 (1) fees or tuition for instruction by an instructor under
30 section 120A.22, subdivision 10, clause (1), (2), (3), (4), or
31 (5), or a member of the Minnesota Music Teachers Association,
32 and who is not a lineal ancestor or sibling of the dependent for
33 instruction outside the regular school day or school year,
34 including tutoring, driver's education offered as part of school
35 curriculum, regardless of whether it is taken from a public or
36 private entity or summer camps, in grade or age appropriate

1 curricula that supplement curricula and instruction available
2 during the regular school year, that assists a dependent to
3 improve knowledge of core curriculum areas or to expand
4 knowledge and skills under the ~~graduation-rule-under-section~~
5 ~~120B.02, paragraph-(e), clauses-(1)-to-(7),-(9),-and-(10)~~
6 required academic standards under section 120B.021, subdivision
7 1, and the elective standard under section 120B.022, subdivision
8 1, clause (2), and that do not include the teaching of religious
9 tenets, doctrines, or worship, the purpose of which is to
10 instill such tenets, doctrines, or worship;

11 (2) expenses for textbooks, including books and other
12 instructional materials and equipment purchased or leased for
13 use in elementary and secondary schools in teaching only those
14 subjects legally and commonly taught in public elementary and
15 secondary schools in this state. "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 extracurricular activities
20 including sporting events, musical or dramatic events, speech
21 activities, driver's education, or similar programs;

22 (3) a maximum expense of \$200 per family for personal
23 computer hardware, excluding single purpose processors, and
24 educational software that assists a dependent to improve
25 knowledge of core curriculum areas or to expand knowledge and
26 skills under the ~~graduation-rule-under-section-120B.02~~ required
27 academic standards under section 120B.021, subdivision 1, and
28 the elective standard under section 120B.022, subdivision 1,
29 clause (2), purchased for use in the taxpayer's home and not
30 used in a trade or business regardless of whether the computer
31 is required by the dependent's school; and

32 (4) the amount paid to others for transportation of a
33 qualifying child attending an elementary or secondary school
34 situated in Minnesota, North Dakota, South Dakota, Iowa, or
35 Wisconsin, wherein a resident of this state may legally fulfill
36 the state's compulsory attendance laws, which is not operated

1 for profit, and which adheres to the provisions of the Civil
2 Rights Act of 1964 and chapter 363A.

3 For purposes of this section, "qualifying child" has the
4 meaning given in section 32(c)(3) of the Internal Revenue Code.

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

7 Sec. 11. Minnesota Statutes 2004, section 290.0922,
8 subdivision 2, is amended to read:

9 Subd. 2. [EXEMPTIONS.] The following entities are exempt
10 from the tax imposed by this section:

11 (1) corporations exempt from tax under section 290.05;

12 (2) real estate investment trusts;

13 (3) regulated investment companies or a fund thereof; and

14 (4) entities having a valid election in effect under

15 section 860D(b) of the Internal Revenue Code;

16 (5) town and farmers' mutual insurance companies;

17 (6) cooperatives organized under chapter 308A or 308B that

18 provide housing exclusively to persons age 55 and over and are

19 classified as homesteads under section 273.124, subdivision 3;

20 and

21 (7) an entity, if for the taxable year all of its property

22 is located in a job opportunity building zone designated under

23 section 469.314 and all of its payroll is a job opportunity

24 building zone payroll under section 469.310.

25 Entities not specifically exempted by this subdivision are

26 subject to tax under this section, notwithstanding section

27 290.05.

28 [EFFECTIVE DATE.] This section is effective for tax years
29 beginning after December 31, 2004.

30 Sec. 12. Minnesota Statutes 2004, section 291.005,

31 subdivision 1, is amended to read:

32 Subdivision 1. [SCOPE.] Unless the context otherwise

33 clearly requires, the following terms used in this chapter shall

34 have the following meanings:

35 (1) "Federal gross estate" means the gross estate of a

36 decedent as valued and otherwise determined for federal estate

1 tax purposes by federal taxing authorities pursuant to the
2 provisions of the Internal Revenue Code.

3 (2) "Minnesota gross estate" means the federal gross estate
4 of a decedent after (a) excluding therefrom any property
5 included therein which has its situs outside Minnesota, and (b)
6 including therein any property omitted from the federal gross
7 estate which is includable therein, has its situs in Minnesota,
8 and was not disclosed to federal taxing authorities.

9 (3) "Personal representative" means the executor,
10 administrator or other person appointed by the court to
11 administer and dispose of the property of the decedent. If
12 there is no executor, administrator or other person appointed,
13 qualified, and acting within this state, then any person in
14 actual or constructive possession of any property having a situs
15 in this state which is included in the federal gross estate of
16 the decedent shall be deemed to be a personal representative to
17 the extent of the property and the Minnesota estate tax due with
18 respect to the property.

19 (4) "Resident decedent" means an individual whose domicile
20 at the time of death was in Minnesota.

21 (5) "Nonresident decedent" means an individual whose
22 domicile at the time of death was not in Minnesota.

23 (6) "Situs of property" means, with respect to real
24 property, the state or country in which it is located; with
25 respect to tangible personal property, the state or country in
26 which it was normally kept or located at the time of the
27 decedent's death; and with respect to intangible personal
28 property, the state or country in which the decedent was
29 domiciled at death.

30 (7) "Commissioner" means the commissioner of revenue or any
31 person to whom the commissioner has delegated functions under
32 this chapter.

33 (8) "Internal Revenue Code" means the United States
34 Internal Revenue Code of 1986, as amended through December 31,
35 ~~2002~~ 2004.

36 (9) "Minnesota adjusted taxable estate" means federal

1 adjusted taxable estate as defined by section 2011(b)(3) of the
2 Internal Revenue Code, increased by the amount of deduction for
3 state death taxes allowed under section 2058 of the Internal
4 Revenue Code.

5 [EFFECTIVE DATE.] This section is effective for estates of
6 decedents dying after December 31, 2004.

7 Sec. 13. Minnesota Statutes 2004, section 291.03,
8 subdivision 1, is amended to read:

9 Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an
10 amount equal to the proportion of the maximum credit for state
11 death taxes computed under section 2011 of the Internal Revenue
12 Code, as amended through December 31, 2000, ~~for state death~~
13 ~~taxes but using Minnesota adjusted taxable estate instead of~~
14 federal adjusted taxable estate, as the Minnesota gross estate
15 bears to the value of the federal gross estate. The tax
16 determined under this paragraph shall not be greater than the
17 ~~federal-estate-tax~~ amount computed by applying the rates and
18 brackets under section 2001(c) of the Internal Revenue Code
19 ~~after the allowance of~~ to the Minnesota adjusted gross estate
20 and subtracting the federal credits credit allowed under section
21 2010 of the Internal Revenue Code of 1986, as amended through
22 December 31, 2000. For the purposes of this section, expenses
23 which are deducted for federal income tax purposes under section
24 642(g) of the Internal Revenue Code as amended through December
25 31, 2002, are not allowable in computing the tax under this
26 chapter.

27 [EFFECTIVE DATE.] This section is effective for estates of
28 decedents dying after December 31, 2004.

29 Sec. 14. [REPEALER.]

30 Minnesota Rules, parts 8093.2000 and 8093.3000, are
31 repealed effective the day following final enactment.

32 ARTICLE 10

33 DEPARTMENT OF REVENUE

34 PROPERTY TAXES

35 Section 1. Minnesota Statutes 2004, section 4A.02, is
36 amended to read:

1 4A.02 [STATE DEMOGRAPHER.]

2 (a) The director shall appoint a state demographer. The
3 demographer must be professionally competent in demography and
4 must possess demonstrated ability based upon past performance.

5 (b) The demographer shall:

6 (1) continuously gather and develop demographic data
7 relevant to the state;

8 (2) design and test methods of research and data
9 collection;

10 (3) periodically prepare population projections for the
11 state and designated regions and periodically prepare
12 projections for each county or other political subdivision of
13 the state as necessary to carry out the purposes of this
14 section;

15 (4) review, comment on, and prepare analysis of population
16 estimates and projections made by state agencies, political
17 subdivisions, other states, federal agencies, or nongovernmental
18 persons, institutions, or commissions;

19 (5) serve as the state liaison with the United States
20 Bureau of the Census, coordinate state and federal demographic
21 activities to the fullest extent possible, and aid the
22 legislature in preparing a census data plan and form for each
23 decennial census;

24 (6) compile an annual study of population estimates on the
25 basis of county, regional, or other political or geographical
26 subdivisions as necessary to carry out the purposes of this
27 section and section 4A.03;

28 (7) by January 1 of each year, issue a report to the
29 legislature containing an analysis of the demographic
30 implications of the annual population study and population
31 projections;

32 (8) prepare maps for all counties in the state, all
33 municipalities with a population of 10,000 or more, and other
34 municipalities as needed for census purposes, according to scale
35 and detail recommended by the United States Bureau of the
36 Census, with the maps of cities showing precinct boundaries;

1 (9) prepare an estimate of population and of the number of
2 households for each governmental subdivision for which the
3 Metropolitan Council does not prepare an annual estimate, and an
4 estimate of population over age 65 for each county for which the
5 Metropolitan Council does not prepare an annual estimate, and
6 convey the estimates to the governing body of each political
7 subdivision by May June 1 of each year;

8 (10) direct, under section 414.01, subdivision 14, and
9 certify population and household estimates of annexed or
10 detached areas of municipalities or towns after being notified
11 of the order or letter of approval by the director;

12 (11) prepare, for any purpose for which a population
13 estimate is required by law or needed to implement a law, a
14 population estimate of a municipality or town whose population
15 is affected by action under section 379.02 or 414.01,
16 subdivision 14; and

17 (12) prepare an estimate of average household size for each
18 statutory or home rule charter city with a population of 2,500
19 or more for which the Metropolitan Council does not prepare an
20 annual estimate, and convey the estimate to the governing body
21 of each affected city by May June 1 of each year.

22 (c) A governing body may challenge an estimate made under
23 paragraph (b) by filing their specific objections in writing
24 with the state demographer by June ~~10~~ 24. If the challenge does
25 not result in an acceptable estimate ~~by June-24~~, the governing
26 body may have a special census conducted by the United States
27 Bureau of the Census. The political subdivision must notify the
28 state demographer by July 1 of its intent to have the special
29 census conducted. The political subdivision must bear all costs
30 of the special census. Results of the special census must be
31 received by the state demographer by the next April 15 to be
32 used in that year's May June 1 estimate to the political
33 subdivision under paragraph (b).

34 (d) The state demographer shall certify the estimates of
35 population and household size to the commissioner of revenue by
36 July 15 each year, including any estimates still under objection.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 2. Minnesota Statutes 2004, section 168A.05,
4 subdivision 1a, is amended to read:

5 Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX
6 PAYMENT.] In the case of a manufactured home as defined in
7 section 327.31, subdivision 6, the department shall not issue a
8 certificate of title unless the application under section
9 168A.04 is accompanied with a statement from the county auditor
10 or county treasurer where the manufactured home is presently
11 located, stating that all manufactured home personal property
12 taxes levied on the unit in the name of the current owner at the
13 time of transfer have been paid. For this purpose, manufactured
14 home personal property taxes are treated as levied on January 1
15 of the payable year.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 3. Minnesota Statutes 2004, section 270.11,
19 subdivision 2, is amended to read:

20 Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED
21 WITH COMMISSIONER.] Each county assessor shall file by April 1
22 with the commissioner of revenue a copy of the abstract that
23 will be acted upon by the local and county boards of review.
24 The abstract must list the real and personal property in the
25 county itemized by assessment districts. The assessor of each
26 county in the state shall file with the commissioner, within ten
27 working days following final action of the local board of review
28 or equalization and within five days following final action of
29 the county board of equalization, any changes made by the local
30 or county board. The information must be filed in the manner
31 prescribed by the commissioner. It must be accompanied by a
32 printed or typewritten copy of the proceedings of the
33 appropriate board.

34 The final abstract of assessments after adjustments by the
35 State Board of Equalization and inclusion of any omitted
36 property shall be submitted to the commissioner of revenue on or

1 before September 1 of each calendar year. The final abstract
2 must separately report the captured tax capacity of tax
3 increment financing districts under section 469.177, subdivision
4 2, the metropolitan-revenue areawide net tax capacity
5 contribution value values determined under section sections
6 276A.05, subdivision 1, and 473F.07, subdivision 1, and the
7 value subject to the power line credit under section 273.42.

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

10 Sec. 4. Minnesota Statutes 2004, section 270.16,
11 subdivision 2, is amended to read:

12 Subd. 2. [FAILURE TO APPRAISE.] When an assessor has
13 failed to properly appraise at least ~~one-quarter~~ one-fifth of
14 the parcels of property in a district or county as provided in
15 section 273.01, the commissioner of revenue shall appoint a
16 special assessor and deputy assessor as necessary and cause a
17 reappraisal to be made of the property due for reassessment in
18 accordance with law.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 5. Minnesota Statutes 2004, section 272.01,
22 subdivision 2, is amended to read:

23 Subd. 2. (a) When any real or personal property which is
24 exempt from ad valorem taxes, and taxes in lieu thereof, is
25 leased, loaned, or otherwise made available and used by a
26 private individual, association, or corporation in connection
27 with a business conducted for profit, there shall be imposed a
28 tax, for the privilege of so using or possessing such real or
29 personal property, in the same amount and to the same extent as
30 though the lessee or user was the owner of such property.

31 (b) The tax imposed by this subdivision shall not apply to:

32 (1) property leased or used as a concession in or relative
33 to the use in whole or part of a public park, market,
34 fairgrounds, port authority, economic development authority
35 established under chapter 469, municipal auditorium, municipal
36 parking facility, municipal museum, or municipal stadium;

1 (2) property of an airport owned by a city, town, county,
2 or group thereof which is:

3 (i) leased to or used by any person or entity including a
4 fixed base operator; and

5 (ii) used as a hangar for the storage or repair of aircraft
6 or to provide aviation goods, services, or facilities to the
7 airport or general public;

8 the exception from taxation provided in this clause does not
9 apply to:

10 (i) property located at an airport owned or operated by the
11 Metropolitan Airports Commission or by a city of over 50,000
12 population according to the most recent federal census or such a
13 city's airport authority;

14 (ii) hangars leased by a private individual, association,
15 or corporation in connection with a business conducted for
16 profit other than an aviation-related business; or

17 (iii) facilities leased by a private individual,
18 association, or corporation in connection with a business for
19 profit, that consists of a major jet engine repair facility
20 financed, in whole or part, with the proceeds of state bonds and
21 located in a tax increment financing district;

22 (3) property constituting or used as a public pedestrian
23 ramp or concourse in connection with a public airport; ~~or~~

24 (4) property constituting or used as a passenger check-in
25 area or ticket sale counter, boarding area, or luggage claim
26 area in connection with a public airport but not the airports
27 owned or operated by the Metropolitan Airports Commission or
28 cities of over 50,000 population or an airport authority
29 therein. Real estate owned by a municipality in connection with
30 the operation of a public airport and leased or used for
31 agricultural purposes is not exempt;

32 (5) property leased, loaned, or otherwise made available to
33 a private individual, corporation, or association under a
34 cooperative farming agreement made pursuant to section 97A.135;
35 or

36 (6) property leased, loaned, or otherwise made available to

1 a private individual, corporation, or association under section
2 272.68, subdivision 4.

3 (c) Taxes imposed by this subdivision are payable as in the
4 case of personal property taxes and shall be assessed to the
5 lessees or users of real or personal property in the same manner
6 as taxes assessed to owners of real or personal property, except
7 that such taxes shall not become a lien against the property.
8 When due, the taxes shall constitute a debt due from the lessee
9 or user to the state, township, city, county, and school
10 district for which the taxes were assessed and shall be
11 collected in the same manner as personal property taxes. If
12 property subject to the tax imposed by this subdivision is
13 leased or used jointly by two or more persons, each lessee or
14 user shall be jointly and severally liable for payment of the
15 tax.

16 (d) The tax on real property of the state or any of its
17 political subdivisions that is leased by a private individual,
18 association, or corporation and becomes taxable under this
19 subdivision or other provision of law must be assessed and
20 collected as a personal property assessment. The taxes do not
21 become a lien against the real property.

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

24 Sec. 6. Minnesota Statutes 2004, section 272.02,
25 subdivision 1a, is amended to read:

26 Subd. 1a. [LIMITATIONS ON EXEMPTIONS.] The exemptions
27 granted by subdivision 1 are subject to the limits contained in
28 the other subdivisions of this section, section 272.025, ~~or~~
29 ~~273.137-subdivision-257-paragraph-(e)-clause-(1)-or-(2)-or~~
30 ~~paragraph-(d)-clause-(2)~~ and all other provisions of applicable
31 law.

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

34 Sec. 7. Minnesota Statutes 2004, section 272.02,
35 subdivision 7, is amended to read:

36 Subd. 7. [INSTITUTIONS OF PUBLIC CHARITY.] Institutions of

1 purely public charity are exempt ~~except parcels of property~~
2 ~~containing structures and the structures described in section~~
3 ~~273.137, subdivision 25, paragraph (e), other than those that~~
4 ~~qualify for exemption under subdivision 26.~~ In determining
5 whether rental housing property qualifies for exemption under
6 this subdivision, the following are not gifts or donations to
7 the owner of the rental housing:

8 (1) rent assistance provided by the government to or on
9 behalf of tenants, and

10 (2) financing assistance or tax credits provided by the
11 government to the owner on condition that specific units or a
12 specific quantity of units be set aside for persons or families
13 with certain income characteristics.

14 The items described in clauses (1) and (2) may, however, be
15 considered when making other determinations related to an
16 exemption under this subdivision, including, without limitation,
17 for the purpose of determining whether the recipient of housing
18 or housing services is required to pay in whole or in part for
19 the housing.

20 [EFFECTIVE DATE.] This section is effective for taxes
21 payable in 2004 and thereafter.

22 Sec. 8. Minnesota Statutes 2004, section 272.02, is
23 amended by adding a subdivision to read:

24 Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR
25 NET PROCEEDS TAX.] (a) Real and personal property described in
26 section 298.25 is exempt to the extent the tax on taconite and
27 iron sulphides under section 298.24 is described in section
28 298.25 as being in lieu of other taxes on such property. This
29 exemption applies for taxes payable in each year that the tax
30 under section 298.24 is payable with respect to such property.

31 (b) Deposits of mineral, metal, or energy resources the
32 mining of which is subject to taxation under section 298.015 are
33 exempt. This exemption applies for taxes payable in each year
34 that the tax under section 298.015 is payable with respect to
35 such property.

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

1 following final enactment.

2 Sec. 9. Minnesota Statutes 2004, section 272.02, is
3 amended by adding a subdivision to read:

4 Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real
5 property that a religious corporation, formed under section
6 317A.909, necessarily uses for a religious purpose is exempt to
7 the extent provided in section 317A.909, subdivision 3.

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

10 Sec. 10. Minnesota Statutes 2004, section 272.02, is
11 amended by adding a subdivision to read:

12 Subd. 70. [CHILDREN'S HOMES.] Personal and real property
13 owned by a corporation formed under section 317A.907 is exempt
14 to the extent provided in section 317A.907, subdivision 7.

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

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

19 Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL
20 HOUSING AUTHORITY PROPERTY.] Property owned by a housing and
21 redevelopment authority described in chapter 469, or by a
22 designated housing authority described in section 469.040,
23 subdivision 5, is exempt to the extent provided in chapter 469.

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

26 Sec. 12. Minnesota Statutes 2004, section 272.02, is
27 amended by adding a subdivision to read:

28 Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT
29 AUTHORITIES.] Property of projects of housing and redevelopment
30 authorities are exempt to the extent permitted by sections
31 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

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

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

36 Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property

1 of a regional rail authority as defined in chapter 398A is
2 exempt to the extent permitted by section 398A.05.

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

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

7 Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA
8 AUTHORITY.] Property owned by the Spirit Mountain Recreation
9 Area Authority is exempt from taxation to the extent provided in
10 Laws 1973, chapter 327, section 6.

11 Sec. 15. Minnesota Statutes 2004, section 272.02, is
12 amended by adding a subdivision to read:

13 Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of
14 this section, the term "installed capacity" means generator
15 nameplate capacity.

16 [EFFECTIVE DATE.] This section is effective the day
17 following final enactment.

18 Sec. 16. Minnesota Statutes 2004, section 272.029,
19 subdivision 4, is amended to read:

20 Subd. 4. [REPORTS.] (a) An owner of a wind energy
21 conversion system subject to tax under subdivision 3 shall file
22 a report with the commissioner of revenue annually on or before
23 ~~March~~ February 1 detailing the amount of electricity in
24 kilowatt-hours that was produced by the wind energy conversion
25 system for the previous calendar year. The commissioner shall
26 prescribe the form of the report. The report must contain the
27 information required by the commissioner to determine the tax
28 due to each county under this section for the current year. If
29 an owner of a wind energy conversion system subject to taxation
30 under this section fails to file the report by the due date, the
31 commissioner of revenue shall determine the tax based upon the
32 nameplate capacity of the system multiplied by a capacity factor
33 of 40 percent.

34 (b) On or before ~~March-31~~ February 28, the commissioner of
35 revenue shall notify the owner of the wind energy conversion
36 systems of the tax due to each county for the current year and

1 shall certify to the county auditor of each county in which the
2 systems are located the tax due from each owner for the current
3 year.

4 [EFFECTIVE DATE.] This section is effective for reports and
5 certifications due in 2006 and thereafter.

6 Sec. 17. Minnesota Statutes 2004, section 272.029,
7 subdivision 6, is amended to read:

8 Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the
9 taxes imposed under subdivision 5 must be part of the settlement
10 between the county treasurer and the county auditor under
11 section 276.09. The revenue must be distributed by the county
12 auditor or the county treasurer to ~~all~~ local taxing
13 jurisdictions in which the wind energy conversion system is
14 located, as follows: beginning with distributions in 2006, 80
15 percent to counties; 14 percent to cities and townships; and six
16 percent to school districts; and for distributions occurring in
17 2004 and 2005 in the same proportion that each of the local
18 taxing jurisdiction's current year's net tax capacity based tax
19 rate is to the current year's total local net tax capacity based
20 rate.

21 [EFFECTIVE DATE.] This section is effective the day
22 following final enactment.

23 Sec. 18. Minnesota Statutes 2004, section 273.11,
24 subdivision 8, is amended to read:

25 Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the
26 purposes of this subdivision, the terms defined in this
27 subdivision have the meanings given them.

28 A "limited equity cooperative" is a corporation organized
29 under chapter 308A or 308B, which has as its primary purpose the
30 provision of housing and related services to its members which
31 meets one of the following criteria with respect to the income
32 of its members: (1) a minimum of 75 percent of members must
33 have incomes at or less than 90 percent of area median income,
34 (2) a minimum of 40 percent of members must have incomes at or
35 less than 60 percent of area median income, or (3) a minimum of
36 20 percent of members must have incomes at or less than 50

1 percent of area median income. For purposes of this clause,
2 "member income" shall mean the income of a member existing at
3 the time the member acquires cooperative membership, and median
4 income shall mean the St. Paul-Minneapolis metropolitan area
5 median income as determined by the United States Department of
6 Housing and Urban Development. It must also meet the following
7 requirements:

8 (a) The articles of incorporation set the sale price of
9 occupancy entitling cooperative shares or memberships at no more
10 than a transfer value determined as provided in the articles.
11 That value may not exceed the sum of the following:

12 (1) the consideration paid for the membership or shares by
13 the first occupant of the unit, as shown in the records of the
14 corporation;

15 (2) the fair market value, as shown in the records of the
16 corporation, of any improvements to the real property that were
17 installed at the sole expense of the member with the prior
18 approval of the board of directors;

19 (3) accumulated interest, or an inflation allowance not to
20 exceed the greater of a ten percent annual noncompounded
21 increase on the consideration paid for the membership or share
22 by the first occupant of the unit, or the amount that would have
23 been paid on that consideration if interest had been paid on it
24 at the rate of the percentage increase in the revised Consumer
25 Price Index for All Urban Consumers for the Minneapolis-St. Paul
26 metropolitan area prepared by the United States Department of
27 Labor, provided that the amount determined pursuant to this
28 clause may not exceed \$500 for each year or fraction of a year
29 the membership or share was owned; plus

30 (4) real property capital contributions shown in the
31 records of the corporation to have been paid by the transferor
32 member and previous holders of the same membership, or of
33 separate memberships that had entitled occupancy to the unit of
34 the member involved. These contributions include contributions
35 to a corporate reserve account the use of which is restricted to
36 real property improvements or acquisitions, contributions to the

1 corporation which are used for real property improvements or
2 acquisitions, and the amount of principal amortized by the
3 corporation on its indebtedness due to the financing of real
4 property acquisition or improvement or the averaging of
5 principal paid by the corporation over the term of its real
6 property-related indebtedness.

7 (b) The articles of incorporation require that the board of
8 directors limit the purchase price of stock or membership
9 interests for new member-occupants or resident shareholders to
10 an amount which does not exceed the transfer value for the
11 membership or stock as defined in clause (a).

12 (c) The articles of incorporation require that the total
13 distribution out of capital to a member shall not exceed that
14 transfer value.

15 (d) The articles of incorporation require that upon
16 liquidation of the corporation any assets remaining after
17 retirement of corporate debts and distribution to members will
18 be conveyed to a charitable organization described in section
19 501(c)(3) of the Internal Revenue Code of 1986, as amended
20 through December 31, 1992, or a public agency.

21 A "limited equity cooperative apartment" is a dwelling unit
22 owned by a limited equity cooperative.

23 "Occupancy entitling cooperative share or membership" is
24 the ownership interest in a cooperative organization which
25 entitles the holder to an exclusive right to occupy a dwelling
26 unit owned or leased by the cooperative.

27 For purposes of taxation, the assessor shall value a unit
28 owned by a limited equity cooperative at the lesser of its
29 market value or the value determined by capitalizing the net
30 operating income of a comparable apartment operated on a rental
31 basis at the capitalization rate used in valuing comparable
32 buildings that are not limited equity cooperatives. If a
33 cooperative fails to operate in accordance with the provisions
34 of clauses (a) to (d), the property shall be subject to
35 additional property taxes in the amount of the difference
36 between the taxes determined in accordance with this subdivision

1 for the last ten years that the property had been assessed
2 pursuant to this subdivision and the amount that would have been
3 paid if the provisions of this subdivision had not applied to
4 it. The additional taxes, plus interest at the rate specified
5 in section 549.09, shall be extended against the property on the
6 tax list for the current year.

7 [EFFECTIVE DATE.] This section is effective for taxes
8 payable in 2004 and thereafter.

9 Sec. 19. Minnesota Statutes 2004, section 273.124,
10 subdivision 3, is amended to read:

11 Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS;
12 HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a
13 corporation or association organized under chapter 308A or 308B,
14 and each person who owns a share or shares in the corporation or
15 association is entitled to occupy a building on the property, or
16 a unit within a building on the property, the corporation or
17 association may claim homestead treatment for each dwelling, or
18 for each unit in the case of a building containing several
19 dwelling units, or for the part of the value of the building
20 occupied by a shareholder. Each building or unit must be
21 designated by legal description or number. The net tax capacity
22 of each building or unit that qualifies for assessment as a
23 homestead under this subdivision must include not more than
24 one-half acre of land, if platted, nor more than 80 acres if
25 unplatted. The net tax capacity of the property is the sum of
26 the net tax capacities of each of the respective buildings or
27 units comprising the property, including the net tax capacity of
28 each unit's or building's proportionate share of the land and
29 any common buildings. To qualify for the treatment provided by
30 this subdivision, the corporation or association must be wholly
31 owned by persons having a right to occupy a building or unit
32 owned by the corporation or association. A charitable
33 corporation organized under the laws of Minnesota and not
34 otherwise exempt thereunder with no outstanding stock qualifies
35 for homestead treatment with respect to member residents of the
36 dwelling units who have purchased and hold residential

1 participation warrants entitling them to occupy the units.

2 (b) To the extent provided in paragraph (a), a cooperative
3 or corporation organized under chapter 308A may obtain separate
4 assessment and valuation, and separate property tax statements
5 for each residential homestead, residential nonhomestead, or for
6 each seasonal residential recreational building or unit not used
7 for commercial purposes. The appropriate class rates under
8 section 273.13 shall be applicable as if each building or unit
9 were a separate tax parcel; provided, however, that the tax
10 parcel which exists at the time the cooperative or corporation
11 makes application under this subdivision shall be a single
12 parcel for purposes of property taxes or the enforcement and
13 collection thereof, other than as provided in paragraph (a) or
14 this paragraph.

15 (c) A member of a corporation or association may initially
16 obtain the separate assessment and valuation and separate
17 property tax statements, as provided in paragraph (b), by
18 applying to the assessor by June 30 of the assessment year.

19 (d) When a building, or dwelling units within a building,
20 no longer qualify under paragraph (a) or (b), the current owner
21 must notify the assessor within 30 days. Failure to notify the
22 assessor within 30 days shall result in the loss of benefits
23 under paragraph (a) or (b) for taxes payable in the year that
24 the failure is discovered. For these purposes, "benefits under
25 paragraph (a) or (b)" means the difference in the net tax
26 capacity of the building or units which no longer qualify as
27 computed under paragraph (a) or (b) and as computed under the
28 otherwise applicable law, times the local tax rate applicable to
29 the building for that taxes payable year. Upon discovery of a
30 failure to notify, the assessor shall inform the auditor of the
31 difference in net tax capacity for the building or buildings in
32 which units no longer qualify, and the auditor shall calculate
33 the benefits under paragraph (a) or (b). Such amount, plus a
34 penalty equal to 100 percent of that amount, shall then be
35 demanded of the building's owner. The property owner may appeal
36 the county's determination by serving copies of a petition for

1 review with county officials as provided in section 278.01 and
2 filing a proof of service as provided in section 278.01 with the
3 Minnesota Tax Court within 60 days of the date of the notice
4 from the county. The appeal shall be governed by the Tax Court
5 procedures provided in chapter 271, for cases relating to the
6 tax laws as defined in section 271.01, subdivision 5;
7 disregarding sections 273.125, subdivision 5, and 278.03, but
8 including section 278.05, subdivision 2. If the amount of the
9 benefits under paragraph (a) or (b) and penalty are not paid
10 within 60 days, and if no appeal has been filed, the county
11 auditor shall certify the amount of the benefit and penalty to
12 the succeeding year's tax list to be collected as part of the
13 property taxes on the affected property.

14 [EFFECTIVE DATE.] This section is effective for taxes
15 payable in 2004 and thereafter.

16 Sec. 20. Minnesota Statutes 2004, section 273.124,
17 subdivision 6, is amended to read:

18 Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more
19 dwellings or one or more buildings which each contain several
20 dwelling units is owned by a nonprofit corporation subject to
21 the provisions of chapter 317A and qualifying under section
22 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as
23 amended through December 31, 1990, or a limited partnership
24 which corporation or partnership operates the property in
25 conjunction with a cooperative association, and has received
26 public financing, homestead treatment may be claimed by the
27 cooperative association on behalf of the members of the
28 cooperative for each dwelling unit occupied by a member of the
29 cooperative. The cooperative association must provide the
30 assessor with the Social Security numbers of those members. To
31 qualify for the treatment provided by this subdivision, the
32 following conditions must be met:

33 (a) the cooperative association must be organized under
34 chapter 308A or 308B and all voting members of the board of
35 directors must be resident tenants of the cooperative and must
36 be elected by the resident tenants of the cooperative;

1 (b) the cooperative association must have a lease for
2 occupancy of the property for a term of at least 20 years, which
3 permits the cooperative association, while not in default on the
4 lease, to participate materially in the management of the
5 property, including material participation in establishing
6 budgets, setting rent levels, and hiring and supervising a
7 management agent;

8 (c) to the extent permitted under state or federal law, the
9 cooperative association must have a right under a written
10 agreement with the owner to purchase the property if the owner
11 proposes to sell it; if the cooperative association does not
12 purchase the property it is offered for sale, the owner may not
13 subsequently sell the property to another purchaser at a price
14 lower than the price at which it was offered for sale to the
15 cooperative association unless the cooperative association
16 approves the sale;

17 (d) a minimum of 40 percent of the cooperative
18 association's members must have incomes at or less than 60
19 percent of area median gross income as determined by the United
20 States Secretary of Housing and Urban Development under section
21 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended
22 through December 31, 1991. For purposes of this clause, "member
23 income" means the income of a member existing at the time the
24 member acquires cooperative membership;

25 (e) if a limited partnership owns the property, it must
26 include as the managing general partner a nonprofit organization
27 operating under the provisions of chapter 317A and qualifying
28 under section 501(c)(3) or 501(c)(4) of the Internal Revenue
29 Code of 1986, as amended through December 31, 1990, and the
30 limited partnership agreement must provide that the managing
31 general partner have sufficient powers so that it materially
32 participates in the management and control of the limited
33 partnership;

34 (f) prior to becoming a member of a leasehold cooperative
35 described in this subdivision, a person must have received
36 notice that (1) describes leasehold cooperative property in

1 plain language, including but not limited to the effects of
2 classification under this subdivision on rents, property taxes
3 and tax credits or refunds, and operating expenses, and (2)
4 states that copies of the articles of incorporation and bylaws
5 of the cooperative association, the lease between the owner and
6 the cooperative association, a sample sublease between the
7 cooperative association and a tenant, and, if the owner is a
8 partnership, a copy of the limited partnership agreement, can be
9 obtained upon written request at no charge from the owner, and
10 the owner must send or deliver the materials within seven days
11 after receiving any request;

12 (g) if a dwelling unit of a building was occupied on the
13 60th day prior to the date on which the unit became leasehold
14 cooperative property described in this subdivision, the notice
15 described in paragraph (f) must have been sent by first class
16 mail to the occupant of the unit at least 60 days prior to the
17 date on which the unit became leasehold cooperative property.
18 For purposes of the notice under this paragraph, the copies of
19 the documents referred to in paragraph (f) may be in proposed
20 version, provided that any subsequent material alteration of
21 those documents made after the occupant has requested a copy
22 shall be disclosed to any occupant who has requested a copy of
23 the document. Copies of the articles of incorporation and
24 certificate of limited partnership shall be filed with the
25 secretary of state after the expiration of the 60-day period
26 unless the change to leasehold cooperative status does not
27 proceed;

28 (h) the county attorney of the county in which the property
29 is located must certify to the assessor that the property meets
30 the requirements of this subdivision;

31 (i) the public financing received must be from at least one
32 of the following sources:

33 (1) tax increment financing proceeds used for the
34 acquisition or rehabilitation of the building or interest rate
35 write-downs relating to the acquisition of the building;

36 (2) government issued bonds exempt from taxes under section

1 103 of the Internal Revenue Code of 1986, as amended through
2 December 31, 1991, the proceeds of which are used for the
3 acquisition or rehabilitation of the building;

4 (3) programs under section 221(d)(3), 202, or 236, of Title
5 II of the National Housing Act;

6 (4) rental housing program funds under Section 8 of the
7 United States Housing Act of 1937 or the market rate family
8 graduated payment mortgage program funds administered by the
9 Minnesota Housing Finance Agency that are used for the
10 acquisition or rehabilitation of the building;

11 (5) low-income housing credit under section 42 of the
12 Internal Revenue Code of 1986, as amended through December 31,
13 1991;

14 (6) public financing provided by a local government used
15 for the acquisition or rehabilitation of the building, including
16 grants or loans from (i) federal community development block
17 grants; (ii) HOME block grants; or (iii) residential rental
18 bonds issued under chapter 474A; or

19 (7) other rental housing program funds provided by the
20 Minnesota Housing Finance Agency for the acquisition or
21 rehabilitation of the building;

22 (j) at the time of the initial request for homestead
23 classification or of any transfer of ownership of the property,
24 the governing body of the municipality in which the property is
25 located must hold a public hearing and make the following
26 findings:

27 (1) that the granting of the homestead treatment of the
28 apartment's units will facilitate safe, clean, affordable
29 housing for the cooperative members that would otherwise not be
30 available absent the homestead designation;

31 (2) that the owner has presented information satisfactory
32 to the governing body showing that the savings garnered from the
33 homestead designation of the units will be used to reduce
34 tenant's rents or provide a level of furnishing or maintenance
35 not possible absent the designation; and

36 (3) that the requirements of paragraphs (b), (d), and (i)

1 have been met.

2 Homestead treatment must be afforded to units occupied by
3 members of the cooperative association and the units must be
4 assessed as provided in subdivision 3, provided that any unit
5 not so occupied shall be classified and assessed pursuant to the
6 appropriate class. No more than three acres of land may, for
7 assessment purposes, be included with each dwelling unit that
8 qualifies for homestead treatment under this subdivision.

9 When dwelling units no longer qualify under this
10 subdivision, the current owner must notify the assessor within
11 60 days. Failure to notify the assessor within 60 days shall
12 result in the loss of benefits under this subdivision for taxes
13 payable in the year that the failure is discovered. For these
14 purposes, "benefits under this subdivision" means the difference
15 in the net tax capacity of the units which no longer qualify as
16 computed under this subdivision and as computed under the
17 otherwise applicable law, times the local tax rate applicable to
18 the building for that taxes payable year. Upon discovery of a
19 failure to notify, the assessor shall inform the auditor of the
20 difference in net tax capacity for the building or buildings in
21 which units no longer qualify, and the auditor shall calculate
22 the benefits under this subdivision. Such amount, plus a
23 penalty equal to 100 percent of that amount, shall then be
24 demanded of the building's owner. The property owner may appeal
25 the county's determination by serving copies of a petition for
26 review with county officials as provided in section 278.01 and
27 filing a proof of service as provided in section 278.01 with the
28 Minnesota Tax Court within 60 days of the date of the notice
29 from the county. The appeal shall be governed by the Tax Court
30 procedures provided in chapter 271, for cases relating to the
31 tax laws as defined in section 271.01, subdivision 5;
32 disregarding sections 273.125, subdivision 5, and 278.03, but
33 including section 278.05, subdivision 2. If the amount of the
34 benefits under this subdivision and penalty are not paid within
35 60 days, and if no appeal has been filed, the county auditor
36 shall certify the amount of the benefit and penalty to the

1 succeeding year's tax list to be collected as part of the
2 property taxes on the affected buildings.

3 [EFFECTIVE DATE.] This section is effective for taxes
4 payable in 2004 and thereafter.

5 Sec. 21. Minnesota Statutes 2004, section 273.124,
6 subdivision 8, is amended to read:

7 Subd. 8. [~~HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM~~
8 ~~CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR~~
9 ~~PARTNERSHIP.] (a) Each family farm corporation~~;~~each; each joint
10 family farm venture~~;~~; and each limited liability company~~;~~-and
11 each or partnership operating which operates a family farm; is
12 entitled to class 1b under section 273.13, subdivision 22,
13 paragraph (b), or class 2a assessment for one homestead occupied
14 by a shareholder, member, or partner thereof who is residing on
15 the land, and actively engaged in farming of the land owned by
16 the family farm corporation, joint family farm venture, limited
17 liability company, or partnership ~~operating-a-family-farm.~~~~

18 Homestead treatment applies even if legal title to the property
19 is in the name of the family farm corporation, joint family farm
20 venture, limited liability company, or partnership ~~operating-the~~
21 ~~family-farm~~, and not in the name of the person residing on it.

22 "Family farm corporation," "family farm," and "partnership
23 operating a family farm" have the meanings given in section
24 500.24, except that the number of allowable shareholders,
25 members, or partners under this subdivision shall not exceed
26 12. "Limited liability company" has the meaning contained in
27 sections 322B.03, subdivision 28, and 500.24, subdivision 2,
28 paragraphs (l) and (m). "Joint family farm venture" means a
29 cooperative agreement among two or more farm enterprises
30 authorized to operate a family farm under section 500.24.

31 (b) In addition to property specified in paragraph (a), any
32 other residences owned by family farm corporations, joint family
33 farm ventures, limited liability companies, or partnerships
34 ~~operating-a-family-farm~~ described in paragraph (a) which are
35 located on agricultural land and occupied as homesteads by its
36 shareholders, members, or partners who are actively engaged in

1 farming on behalf of that corporation, joint farm venture,
2 limited liability company, or partnership must also be assessed
3 as class 2a property or as class 1b property under section
4 273.13.

5 (c) Agricultural property that is owned by a member,
6 partner, or shareholder of a family farm corporation or joint
7 family farm venture, limited liability company operating a
8 family farm, or by a partnership operating a family farm and
9 leased to the family farm corporation, limited liability
10 company, ~~or partnership operating-a-family-farm~~, or joint farm
11 venture, as defined in paragraph (a), is eligible for
12 classification as class 1b or class 2a under section 273.13, if
13 the owner is actually residing on the property, and is actually
14 engaged in farming the land on behalf of that corporation, joint
15 farm venture, limited liability company, or partnership. This
16 paragraph applies without regard to any legal possession rights
17 of the family farm corporation, joint family farm venture,
18 limited liability company, or partnership ~~operating-a-family~~
19 ~~farm~~ under the lease.

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 22. Minnesota Statutes 2004, section 273.124,
23 subdivision 13, is amended to read:

24 Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets
25 the homestead requirements under subdivision 1 must file a
26 homestead application with the county assessor to initially
27 obtain homestead classification.

28 (b) On or before January 2, 1993, each county assessor
29 shall mail a homestead application to the owner of each parcel
30 of property within the county which was classified as homestead
31 for the 1992 assessment year. The format and contents of a
32 uniform homestead application shall be prescribed by the
33 commissioner of revenue. The commissioner shall consult with
34 the chairs of the house and senate tax committees on the
35 contents of the homestead application form. The application
36 must clearly inform the taxpayer that this application must be

1 signed by all owners who occupy the property or by the
2 qualifying relative and returned to the county assessor in order
3 for the property to continue receiving homestead treatment. The
4 envelope containing the homestead application shall clearly
5 identify its contents and alert the taxpayer of its necessary
6 immediate response.

7 (c) Every property owner applying for homestead
8 classification must furnish to the county assessor the Social
9 Security number of each occupant who is listed as an owner of
10 the property on the deed of record, the name and address of each
11 owner who does not occupy the property, and the name and Social
12 Security number of each owner's spouse who occupies the
13 property. The application must be signed by each owner who
14 occupies the property and by each owner's spouse who occupies
15 the property, or, in the case of property that qualifies as a
16 homestead under subdivision 1, paragraph (c), by the qualifying
17 relative.

18 If a property owner occupies a homestead, the property
19 owner's spouse may not claim another property as a homestead
20 unless the property owner and the property owner's spouse file
21 with the assessor an affidavit or other proof required by the
22 assessor stating that the property qualifies as a homestead
23 under subdivision 1, paragraph (e).

24 Owners or spouses occupying residences owned by their
25 spouses and previously occupied with the other spouse, either of
26 whom fail to include the other spouse's name and Social Security
27 number on the homestead application or provide the affidavits or
28 other proof requested, will be deemed to have elected to receive
29 only partial homestead treatment of their residence. The
30 remainder of the residence will be classified as nonhomestead
31 residential. When an owner or spouse's name and Social Security
32 number appear on homestead applications for two separate
33 residences and only one application is signed, the owner or
34 spouse will be deemed to have elected to homestead the residence
35 for which the application was signed.

36 The Social Security numbers or affidavits or other proofs

1 of the property owners and spouses are private data on
2 individuals as defined by section 13.02, subdivision 12, but,
3 notwithstanding that section, the private data may be disclosed
4 to the commissioner of revenue, or, for purposes of proceeding
5 under the Revenue Recapture Act to recover personal property
6 taxes owing, to the county treasurer.

7 (d) If residential real estate is occupied and used for
8 purposes of a homestead by a relative of the owner and qualifies
9 for a homestead under subdivision 1, paragraph (c), in order for
10 the property to receive homestead status, a homestead
11 application must be filed with the assessor. The Social
12 Security number of each relative occupying the property and the
13 Social Security number of each owner who is related to an
14 occupant of the property shall be required on the homestead
15 application filed under this subdivision. If a different
16 relative of the owner subsequently occupies the property, the
17 owner of the property must notify the assessor within 30 days of
18 the change in occupancy. The Social Security number of a
19 relative occupying the property is private data on individuals
20 as defined by section 13.02, subdivision 12, but may be
21 disclosed to the commissioner of revenue.

22 (e) The homestead application shall also notify the
23 property owners that the application filed under this section
24 will not be mailed annually and that if the property is granted
25 homestead status for the 1993 assessment, or any assessment year
26 thereafter, that same property shall remain classified as
27 homestead until the property is sold or transferred to another
28 person, or the owners, the spouse of the owner, or the relatives
29 no longer use the property as their homestead. Upon the sale or
30 transfer of the homestead property, a certificate of value must
31 be timely filed with the county auditor as provided under
32 section 272.115. Failure to notify the assessor within 30 days
33 that the property has been sold, transferred, or that the owner,
34 the spouse of the owner, or the relative is no longer occupying
35 the property as a homestead, shall result in (i) a requirement
36 to repay homestead benefits related to assessment dates after

1 the ownership or occupancy change, except for years for which a
2 new and valid homestead application was effective, and limited
3 to benefits for taxes payable in the current year and the five
4 prior years; (ii) the penalty provided under ~~this-subdivision~~
5 paragraph (h) for each of the same years, if applicable; and
6 (iii) the property will lose its ~~current~~ homestead status for
7 the current assessment year unless a new homestead application
8 is effective for that assessment. The provisions of section
9 273.02 with regard to property erroneously classified as a
10 homestead do not apply. The person to be notified of the
11 reimbursement requirement and of the penalty under the
12 procedures in paragraph (h) is the owner who sold or transferred
13 the property or whose relative is no longer occupying the
14 property as a homestead.

15 (f) If the homestead application is not returned within 30
16 days, the county will send a second application to the present
17 owners of record. The notice of proposed property taxes
18 prepared under section 275.065, subdivision 3, shall reflect the
19 property's classification. Beginning with assessment year 1993
20 for all properties, if a homestead application has not been
21 filed with the county by December 15, the assessor shall
22 classify the property as nonhomestead for the current assessment
23 year for taxes payable in the following year, provided that the
24 owner may be entitled to receive the homestead classification by
25 proper application under section 375.192.

26 (g) At the request of the commissioner, each county must
27 give the commissioner a list that includes the name and Social
28 Security number of each property owner and the property owner's
29 spouse occupying the property, or relative of a property owner,
30 applying for homestead classification under this subdivision.
31 The commissioner shall use the information provided on the lists
32 as appropriate under the law, including for the detection of
33 improper claims by owners, or relatives of owners, under chapter
34 290A.

35 (h) If ~~the-commissioner~~ a city or county assessor finds
36 that a property owner ~~may-be-claiming-a-fraudulent~~ is receiving

1 homestead benefits that are not allowable under the law,
2 ~~the commissioner shall notify the appropriate counties. Within~~
3 ~~90 days of the notification, the county assessor shall~~
4 ~~investigate to determine if the homestead classification was~~
5 ~~properly claimed. If the property owner does not qualify, the~~
6 county assessor shall notify the county auditor who will
7 determine the amount of homestead benefits that had been
8 improperly allowed for taxes payable in the current year and in
9 each of the five prior years. For the purpose of this section,
10 "homestead benefits" means the tax reduction resulting from the
11 classification as a homestead under section 273.13, the taconite
12 homestead credit under section 273.135, the residential
13 homestead and agricultural homestead credits under section
14 273.1384, and the supplemental homestead credit under section
15 273.1391.

16 The county auditor shall send a notice to the person who
17 owned the affected property at the time the homestead
18 application related to the improper homestead was filed,
19 demanding reimbursement of the homestead benefits not allowable
20 under the law for taxes payable in the current year and the five
21 prior years. The notice shall demand reimbursement of those
22 homestead benefits, plus a penalty equal to ±00 either:

23 (i) ten percent of the homestead benefits if the owner
24 acted with negligent or intentional disregard of the applicable
25 tax laws and rules but without intent to defraud; or

26 (ii) 50 percent of the homestead benefits if the owner
27 fraudulently attempted in any manner to evade or defeat the
28 proper tax.

29 If the penalty provided in this paragraph is imposed and
30 the assessor becomes aware that the property is improperly
31 classified as a homestead for the current assessment year, the
32 assessor shall reclassify the property for that assessment, and
33 the provisions of section 273.02 with regard to property
34 erroneously classified as a homestead do not apply.

35 A penalty under this section shall be abated under section
36 375.192 upon a determination that the improper classification

1 was due to reasonable cause. The person notified may appeal the
2 county's determination by serving copies of a petition for
3 review with county officials as provided in section 278.01 and
4 filing proof of service as provided in section 278.01 with the
5 Minnesota Tax Court within 60 days of the date of the notice
6 from the county. Procedurally, the appeal is governed by the
7 provisions in chapter 271 which apply to the appeal of a
8 property tax assessment or levy, but without requiring any
9 prepayment of the amount in controversy. If the amount of
10 homestead benefits and penalty is not paid within 60 days, and
11 if no appeal has been filed, the county auditor shall certify
12 the amount of taxes and penalty to the county treasurer. The
13 county treasurer will add interest to the unpaid homestead
14 benefits and penalty amounts at the rate provided in section
15 279.03 for real property taxes becoming delinquent in the
16 calendar year during which the amount remains unpaid. Interest
17 may be assessed for the period beginning 60 days after demand
18 for payment was made.

19 If the person notified is the current owner of the
20 property, the treasurer may add the total amount of homestead
21 benefits, penalty, interest, and costs to the ad valorem taxes
22 otherwise payable on the property by including the amounts on
23 the property tax statements under section 276.04, subdivision
24 3. The amounts added under this paragraph to the ad valorem
25 taxes shall include interest accrued through December 31 of the
26 year preceding the taxes payable year for which the amounts are
27 first added. These amounts, when added to the property tax
28 statement, become subject to all the laws for the enforcement of
29 real or personal property taxes for that year, and for any
30 subsequent year.

31 If the person notified is not the current owner of the
32 property, the treasurer may collect the amounts due under the
33 Revenue Recapture Act in chapter 270A, or use any of the powers
34 granted in sections 277.20 and 277.21 without exclusion, to
35 enforce payment of the homestead benefits, penalty, interest,
36 and costs, as if those amounts were delinquent tax obligations

1 of the person who owned the property at the time the application
2 related to the improperly allowed homestead was filed. The
3 treasurer may relieve a prior owner of personal liability for
4 the homestead benefits, penalty, interest, and costs, and
5 instead extend those amounts on the tax lists against the
6 property as provided in this paragraph to the extent that the
7 current owner agrees in writing. On all demands, billings,
8 property tax statements, and related correspondence, the county
9 must list and state separately the amounts of homestead
10 benefits, penalty, interest and costs being demanded, billed or
11 assessed.

12 (i) Any amount of homestead benefits recovered by the
13 county from the property owner shall be distributed to the
14 county, city or town, and school district where the property is
15 located in the same proportion that each taxing district's levy
16 was to the total of the three taxing districts' levy for the
17 current year. Any amount recovered attributable to taconite
18 homestead credit shall be transmitted to the St. Louis County
19 auditor to be deposited in the taconite property tax relief
20 account. Any amount recovered that is attributable to
21 supplemental homestead credit is to be transmitted to the
22 commissioner of revenue for deposit in the general fund of the
23 state treasury. The total amount of penalty collected must be
24 deposited in the county general fund.

25 (j) If a property owner has applied for more than one
26 homestead and the county assessors cannot determine which
27 property should be classified as homestead, the county assessors
28 will refer the information to the commissioner. The
29 commissioner shall make the determination and notify the
30 counties within 60 days.

31 (k) In addition to lists of homestead properties, the
32 commissioner may ask the counties to furnish lists of all
33 properties and the record owners. The Social Security numbers
34 and federal identification numbers that are maintained by a
35 county or city assessor for property tax administration
36 purposes, and that may appear on the lists retain their

1 classification as private or nonpublic data; but may be viewed,
2 accessed, and used by the county auditor or treasurer of the
3 same county for the limited purpose of assisting the
4 commissioner in the preparation of microdata samples under
5 section 270.0681.

6 (1) On or before April 30 each year, each county must
7 provide the commissioner with the following data for each parcel
8 of homestead property by electronic means as defined in section
9 289A.02, subdivision 8:

10 (i) the property identification number assigned to the
11 parcel for purposes of taxes payable in the current year;

12 (ii) the name and Social Security number of each property
13 owner and property owner's spouse, as shown on the tax rolls for
14 the current and the prior assessment year;

15 (iii) the classification of the property under section
16 273.13 for taxes payable in the current year and in the prior
17 year;

18 (iv) an indication of whether the property was classified
19 as a homestead for taxes payable in the current year or for
20 taxes payable in the prior year because of occupancy by a
21 relative of the owner or by a spouse of a relative;

22 (v) the property taxes payable as defined in section
23 290A.03, subdivision 13, for the current year and the prior
24 year;

25 (vi) the market value of improvements to the property first
26 assessed for tax purposes for taxes payable in the current year;

27 (vii) the assessor's estimated market value assigned to the
28 property for taxes payable in the current year and the prior
29 year;

30 (viii) the taxable market value assigned to the property
31 for taxes payable in the current year and the prior year;

32 (ix) whether there are delinquent property taxes owing on
33 the homestead;

34 (x) the unique taxing district in which the property is
35 located; and

36 (xi) such other information as the commissioner decides is

1 necessary.

2 The commissioner shall use the information provided on the
3 lists as appropriate under the law, including for the detection
4 of improper claims by owners, or relatives of owners, under
5 chapter 290A.

6 [EFFECTIVE DATE.] This section is generally effective July
7 1, 2005, and thereafter, except the changes in paragraphs (e)
8 and (h) are effective only for notices initially sent out under
9 those paragraphs on or after July 1, 2005.

10 Sec. 23. Minnesota Statutes 2004, section 273.124,
11 subdivision 21, is amended to read:

12 Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held
13 by a trustee under a trust is eligible for classification as
14 homestead property if:

15 (1) the grantor or surviving spouse of the grantor of the
16 trust occupies and uses the property as a homestead;

17 (2) a relative or surviving relative of the grantor who
18 meets the requirements of subdivision 1, paragraph (c), in the
19 case of residential real estate; or subdivision 1, paragraph
20 (d), in the case of agricultural property, occupies and uses the
21 property as a homestead;

22 (3) a family farm corporation, joint farm venture, limited
23 liability company, or partnership operating a family farm rents
24 the property held by a trustee under a trust, and the grantor,
25 the spouse of the grantor, or the son or daughter of the
26 grantor, who is also a shareholder, member, or partner of the
27 corporation, joint farm venture, limited liability company, or
28 partnership occupies and uses the property as a homestead, and
29 or is actively farming the property on behalf of the
30 corporation, joint farm venture, limited liability company, or
31 partnership; or

32 (4) a person who has received homestead classification for
33 property taxes payable in 2000 on the basis of an unqualified
34 legal right under the terms of the trust agreement to occupy the
35 property as that person's homestead and who continues to use the
36 property as a homestead or a person who received the homestead

1 classification for taxes payable in 2005 under clause (3) who
2 does not qualify under clause (3) for taxes payable in 2006 or
3 thereafter but who continues to qualify under clause (3) as it
4 existed for taxes payable in 2005.

5 For purposes of this subdivision, "grantor" is defined as
6 the person creating or establishing a testamentary, inter Vivos,
7 revocable or irrevocable trust by written instrument or through
8 the exercise of a power of appointment.

9 [EFFECTIVE DATE.] This section is effective for taxes
10 payable in 2006 and thereafter.

11 Sec. 24. Minnesota Statutes 2004, section 273.1315, is
12 amended to read:

13 273.1315 [CERTIFICATION OF 1B PROPERTY.]

14 Any property owner seeking classification and assessment of
15 the owner's homestead as class 1b property pursuant to section
16 273.13, subdivision 22, paragraph (b), shall file with the
17 commissioner of revenue a 1b homestead declaration, on a form
18 prescribed by the commissioner. The declaration shall contain
19 the following information:

20 (a) the information necessary to verify that on or before
21 June 30 of the filing year, the property owner or the owner's
22 spouse satisfies the requirements of section 273.13, subdivision
23 22, paragraph (b), for 1b classification; and

24 (b) any additional information prescribed by the
25 commissioner.

26 The declaration must be filed on or before October 1 to be
27 effective for property taxes payable during the succeeding
28 calendar year. The declaration and any supplementary
29 information received from the property owner pursuant to this
30 section shall be subject to chapter 270B. If approved by the
31 commissioner, the declaration remains in effect until the
32 property no longer qualifies under section 273.13, subdivision
33 22, paragraph (b). Failure to notify the commissioner within 30
34 days that the property no longer qualifies under that paragraph
35 because of a sale, change in occupancy, or change in the status
36 or condition of an occupant shall result in the penalty provided

1 in section 273.124, subdivision 13, computed on the basis of the
 2 class 1b benefits for the property, and the property shall lose
 3 its current class 1b classification.

4 The commissioner shall provide to the assessor on or before
 5 November 1 a listing of the parcels of property qualifying for
 6 1b classification.

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

9 Sec. 25. Minnesota Statutes 2004, section 273.19,
 10 subdivision 1a, is amended to read:

11 Subd. 1a. For purposes of this section, a lease includes
 12 any agreement, except a cooperative farming agreement pursuant
 13 to section 97A.135, subdivision 3, or a lease executed pursuant
 14 to section 272.68, subdivision 4, permitting a nonexempt person
 15 or entity to use the property, regardless of whether the
 16 agreement is characterized as a lease. A lease has a "term of
 17 at least one year" if the term is for a period of less than one
 18 year and the lease permits the parties to renew the lease
 19 without requiring that similar terms for leasing the property
 20 will be offered to other applicants or bidders through a
 21 competitive bidding or other form of offer to potential lessees
 22 or users.

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

25 Sec. 26. Minnesota Statutes 2004, section 273.372, is
 26 amended to read:

27 273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD
 28 VALUATIONS.]

29 ~~An appeal by a utility or railroad company concerning the~~
 30 ~~exemption, valuation, or classification of property for which~~
 31 ~~the commissioner of revenue has provided the city or county~~
 32 ~~assessor with valuations by order, or for which the commissioner~~
 33 ~~has recommended values to the city or county assessor, must be~~
 34 ~~brought against the commissioner in Tax Court or in district~~
 35 ~~court of the county where the property is located, and not~~
 36 ~~against the county or taxing district where the property is~~

1 ~~located~~ Subdivision 1. [SCOPE.] This section governs judicial
2 review of a claim that public utility property or railroad
3 operating property has been partially, unfairly, or unequally
4 assessed, or assessed at a valuation greater than its real or
5 actual value, or that the property is exempt. However, this
6 section applies only to property described in sections 273.33,
7 273.35, and 273.37, and only if the net tax capacity has not
8 been changed from that provided to the city or a county by the
9 commissioner. If the net tax capacity being appealed is not the
10 net tax capacity established by the commissioner through order
11 or recommendation, or if the petition claims that the tax levied
12 against the parcel is illegal, in whole or in part, or if the
13 petition claims the tax has been paid, the action must be
14 brought under chapter 278 without regard to this section in each
15 county where the property is located and proper service must be
16 made upon the local officials specified in section 278.01,
17 subdivision 1.

18 Subd. 2. [CONTENTS AND FILING OF PETITION.] In all cases
19 under this section, the petition must be served on the
20 commissioner and must be filed with the Tax Court in Ramsey
21 County. In all cases under this section that directly challenge
22 an order of the commissioner, the petition must include all the
23 parcels encompassed by that order which the petitioner claims
24 have been partially, unfairly, or unequally assessed, assessed
25 at a valuation greater than their real or actual value, or are
26 exempt. In all cases under this section not directly
27 challenging a commissioner's order, the petition must include
28 either all the utility parcels or all the railroad parcels in
29 the state in which the petitioner claims an interest and which
30 the petitioner claims have been partially, unfairly, or
31 unequally assessed, assessed at a valuation greater than their
32 real or actual value, or are exempt.

33 Subd. 3. [APPLICABILITY OF OTHER LAWS.] If the appeal to
34 court ~~is from~~ governed by this section directly challenges an
35 order of the commissioner, ~~the~~ the appeal must be brought under
36 chapter 271, except that when the provisions of this section

1 conflict with chapter 271, this section prevails. If ~~the an~~
 2 appeal governed by this section is from the exemption,
 3 ~~valuation, classification, or~~ tax that results from
 4 implementation of ~~the a~~ commissioner's order or recommendation,
 5 it must be brought under the provisions of chapter 278, ~~and the~~
 6 ~~provisions in that chapter apply,~~ except that service shall be
 7 on the commissioner only and not on the ~~county~~ local officials
 8 specified in section 278.01, subdivision 1, and if any other
 9 provision of this section conflicts with chapter 278, this
 10 section prevails.

11 ~~This provision applies to the property described in~~
 12 ~~sections 273.33, 273.35, 273.36, and 273.37, but only if the~~
 13 ~~appealed values have remained unchanged from those provided to~~
 14 ~~the city or county by the commissioner. If the exemption,~~
 15 ~~valuation, or classification being appealed has been changed by~~
 16 ~~the city or county, then the action must be brought under~~
 17 ~~chapter 278 in the county where the property is located and~~
 18 ~~proper service must be made upon the county officials as~~
 19 ~~specified in section 278.01, subdivision 1.~~

20 Subd. 4. [NOTICE.] Upon filing of any appeal by a utility
 21 company or railroad against the commissioner under this section,
 22 the commissioner shall give notice by first class mail to each
 23 county which would be affected by the appeal.

24 Subd. 5. [ADMINISTRATIVE APPEALS.] Companies that submit
 25 the reports under section 270.82 or 273.371 by the date
 26 specified in that section, or by the date specified by the
 27 commissioner in an extension, may appeal administratively to the
 28 commissioner ~~under the procedures in section 270.11, subdivision~~
 29 ~~6, prior to bringing an action in Tax Court or in district~~
 30 ~~court,~~ however, instituting an administrative appeal with the
 31 commissioner does not change or modify the deadline in section
 32 271.06 for appealing an order of the commissioner ~~in Tax Court~~
 33 or the deadline in section 278.01 for filing a property tax
 34 claim or objection ~~in Tax Court or district court.~~

35 [EFFECTIVE DATE.] This section is effective for petitions
 36 served and filed on or after September 1, 2005.

1 Sec. 27. Minnesota Statutes 2004, section 274.014,
2 subdivision 2, is amended to read:

3 Subd. 2. [APPEALS AND EQUALIZATION COURSE.] ~~By no later~~
4 ~~than January 1,~~ Beginning in 2006, and each year thereafter,
5 there must be at least one member at each meeting of a local
6 board of appeal and equalization who has attended an appeals and
7 equalization course developed or approved by the commissioner
8 within the last four years, as certified by the commissioner.
9 The course may be offered in conjunction with a meeting of the
10 Minnesota League of Cities or the Minnesota Association of
11 Townships. The course content must include, but need not be
12 limited to, a review of the handbook developed by the
13 commissioner under subdivision 1.

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

16 Sec. 28. Minnesota Statutes 2004, section 274.014,
17 subdivision 3, is amended to read:

18 Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a)
19 Any city or town that ~~does not~~ conducts local boards of appeal
20 and equalization meetings must provide proof to the county
21 assessor by December 1, 2006, and each year thereafter, that it
22 is in compliance with the requirements of subdivision 2 ~~and~~
23 ~~that it had.~~ Beginning in 2006, this notice must also verify
24 that there was a quorum of voting members at each meeting of the
25 board of appeal and equalization in the ~~prior~~ current year~~7.~~ A
26 city or town that does not comply with these requirements is
27 deemed to have transferred its board of appeal and equalization
28 powers to the county ~~under section 274.017, subdivision 3,~~
29 ~~for~~ beginning with the following year's assessment and
30 continuing unless the powers are reinstated under paragraph (c).

31 (b) The county shall notify the taxpayers when the board of
32 appeal and equalization for a city or town has been transferred
33 to the county under this subdivision and, prior to the meeting
34 time of the county board of equalization, the county shall make
35 available to those taxpayers a procedure for a review of the
36 assessments, including, but not limited to, open book meetings.

1 This alternate review process shall take place in April and May.

2 (c) A local board whose powers are transferred to the
3 county under this subdivision may be reinstated by resolution of
4 the governing body of the city or town and upon proof of
5 compliance with the requirements of subdivision 2. The
6 resolution and proofs must be provided to the county assessor by
7 December 1 in order to be effective for the following year's
8 assessment.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 29. Minnesota Statutes 2004, section 274.14, is
12 amended to read:

13 274.14 [LENGTH OF SESSION; RECORD.]

14 ~~The county board of equalization or the special board of~~
15 ~~equalization appointed by it shall meet during the last ten~~
16 ~~meeting days in June. For this purpose, "meeting days" are~~
17 ~~defined as any day of the week excluding Saturday and Sunday.~~

18 The board may meet on any ten consecutive meeting days in June,
19 after the second Friday in June, ~~if~~. The actual meeting dates
20 ~~are~~ must be contained on the valuation notices mailed to each
21 property owner in the county ~~under~~ as provided in section
22 273.121. For this purpose, "meeting days" is defined as any day
23 of the week excluding Saturday and Sunday. No action taken by
24 the county board of review after June 30 is valid, except for
25 corrections permitted in sections 273.01 and 274.01. The county
26 auditor shall keep an accurate record of the proceedings and
27 orders of the board. The record must be published like other
28 proceedings of county commissioners. A copy of the published
29 record must be sent to the commissioner of revenue, with the
30 abstract of assessment required by section 274.16.

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

33 Sec. 30. Minnesota Statutes 2004, section 275.065,
34 subdivision 1a, is amended to read:

35 Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a
36 taxing authority lying in two or more counties, the home county

1 auditor shall certify the proposed levy and the proposed local
2 tax rate to the other county auditor by ~~September-20~~ October 5.
3 The home county auditor must estimate the levy or rate in
4 preparing the notices required in subdivision 3, if the other
5 county has not certified the appropriate information. If
6 requested by the home county auditor, the other county auditor
7 must furnish an estimate to the home county auditor.

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

10 Sec. 31. Minnesota Statutes 2004, section 275.07,
11 subdivision 1, is amended to read:

12 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
13 provided under paragraph (b), the taxes voted by cities,
14 counties, school districts, and special districts shall be
15 certified by the proper authorities to the county auditor on or
16 before five working days after December 20 in each year. A town
17 must certify the levy adopted by the town board to the county
18 auditor by September 15 each year. If the town board modifies
19 the levy at a special town meeting after September 15, the town
20 board must recertify its levy to the county auditor on or before
21 five working days after December 20. ~~The taxes certified shall~~
22 ~~be reduced by the county auditor by the aid received under~~
23 ~~section 273.1398, subdivision 3.~~ If a city, town, county,
24 school district, or special district fails to certify its levy
25 by that date, its levy shall be the amount levied by it for the
26 preceding year.

27 (b) (i) The taxes voted by counties under sections 103B.241,
28 103B.245, and 103B.251 shall be separately certified by the
29 county to the county auditor on or before five working days
30 after December 20 in each year. The taxes certified shall not
31 be reduced by the county auditor by the aid received under
32 section 273.1398, subdivision 3. If a county fails to certify
33 its levy by that date, its levy shall be the amount levied by it
34 for the preceding year.

35 (ii) For purposes of the proposed property tax notice under
36 section 275.065 and the property tax statement under section

1 276.04, for the first year in which the county implements the
2 provisions of this paragraph, the county auditor shall reduce
3 the county's levy for the preceding year to reflect any amount
4 levied for water management purposes under clause (i) included
5 in the county's levy.

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

8 Sec. 32. Minnesota Statutes 2004, section 275.07,
9 subdivision 4, is amended to read:

10 Subd. 4. [REPORT TO COMMISSIONER.] (a) On or before
11 October 8 of each year, the county auditor shall report to the
12 commissioner of revenue the proposed levy certified by local
13 units of government under section 275.065, subdivision 1. If
14 any taxing authorities have notified the county auditor that
15 they are in the process of negotiating an agreement for sharing,
16 merging, or consolidating services but that when the proposed
17 levy was certified under section 275.065, subdivision 1c, the
18 agreement was not yet finalized, the county auditor shall supply
19 that information to the commissioner when filing the report
20 under this section and shall recertify the affected levies as
21 soon as practical after October 10.

22 (b) On or before January 15 of each year, the county
23 auditor shall report to the commissioner of revenue the final
24 levy certified by local units of government under subdivision 1.

25 (c) The levies must be reported in the manner prescribed by
26 the commissioner. ~~The reports must show a total levy and the~~
27 ~~amount of each special levy.~~

28 [EFFECTIVE DATE.] This section is effective the day
29 following final enactment.

30 Sec. 33. Minnesota Statutes 2004, section 276.04,
31 subdivision 2, is amended to read:

32 Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer
33 shall provide for the printing of the tax statements. The
34 commissioner of revenue shall prescribe the form of the property
35 tax statement and its contents. The statement must contain a
36 tabulated statement of the dollar amount due to each taxing

1 authority and the amount of the state tax from the parcel of
2 real property for which a particular tax statement is prepared.
3 The dollar amounts attributable to the county, the state tax,
4 the voter approved school tax, the other local school tax, the
5 township or municipality, and the total of the metropolitan
6 special taxing districts as defined in section 275.065,
7 subdivision 3, paragraph (i), must be separately stated. The
8 amounts due all other special taxing districts, if any, may be
9 aggregated. If the county levy under this paragraph includes an
10 amount for a lake improvement district as defined under sections
11 103B.501 to 103B.581, the amount attributable for that purpose
12 must be separately stated from the remaining county levy
13 amount. The amount of the tax on homesteads qualifying under
14 the senior citizens' property tax deferral program under chapter
15 290B is the total amount of property tax before subtraction of
16 the deferred property tax amount. The amount of the tax on
17 contamination value imposed under sections 270.91 to 270.98, if
18 any, must also be separately stated. The dollar amounts,
19 including the dollar amount of any special assessments, may be
20 rounded to the nearest even whole dollar. For purposes of this
21 section whole odd-numbered dollars may be adjusted to the next
22 higher even-numbered dollar. The amount of market value
23 excluded under section 273.11, subdivision 16, if any, must also
24 be listed on the tax statement.

25 (b) The property tax statements for manufactured homes and
26 sectional structures taxed as personal property shall contain
27 the same information that is required on the tax statements for
28 real property.

29 (c) Real and personal property tax statements must contain
30 the following information in the order given in this paragraph.
31 The information must contain the current year tax information in
32 the right column with the corresponding information for the
33 previous year in a column on the left:

34 (1) the property's estimated market value under section
35 273.11, subdivision 1;

36 (2) the property's taxable market value after reductions

1 under section 273.11, subdivisions 1a and 16;

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

5 (4) a total of the following aids:

6 (i) education aids payable under chapters 122A, 123A, 123B,
7 124D, 125A, 126C, and 127A;

8 (ii) local government aids for cities, towns, and counties
9 under ~~chapter-477A~~ sections 477A.011 to 477A.014; and

10 (iii) disparity reduction aid under section 273.1398;

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

13 (6) any credits received under sections 273.119; 273.123;
14 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and
15 473H.10, except that the amount of credit received under section
16 273.135 must be separately stated and identified as "taconite
17 tax relief"; and

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

20 (d) If the county uses envelopes for mailing property tax
21 statements and if the county agrees, a taxing district may
22 include a notice with the property tax statement notifying
23 taxpayers when the taxing district will begin its budget
24 deliberations for the current year, and encouraging taxpayers to
25 attend the hearings. If the county allows notices to be
26 included in the envelope containing the property tax statement,
27 and if more than one taxing district relative to a given
28 property decides to include a notice with the tax statement, the
29 county treasurer or auditor must coordinate the process and may
30 combine the information on a single announcement.

31 The commissioner of revenue shall certify to the county
32 auditor the actual or estimated aids enumerated in clause (4)
33 that local governments will receive in the following year. The
34 commissioner must certify this amount by January 1 of each year.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 34. Minnesota Statutes 2004, section 276.112, is
2 amended to read:

3 276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

4 On or before January 25 each year, for the period ending
5 December 31 of the prior year, and on or before June ~~29~~ 28 each
6 year, for the period ending on the most recent settlement day
7 determined in section 276.09, and on or before December 2 each
8 year, for the period ending November 20, the county treasurer
9 must make full settlement with the county auditor according to
10 sections 276.09, 276.10, and 276.111 for all receipts of state
11 property taxes levied under section 275.025, and must transmit
12 those receipts to the commissioner of revenue by electronic
13 means.

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

16 Sec. 35. Minnesota Statutes 2004, section 276A.01,
17 subdivision 7, is amended to read:

18 Subd. 7. [POPULATION.] "Population" means the most recent
19 estimate of the population of a municipality made by the state
20 demographer and filed with the commissioner of revenue as of
21 July ~~±~~ 15 of the year in which a municipality's distribution net
22 tax capacity is calculated. The state demographer shall
23 annually estimate the population of each municipality and, in
24 the case of a municipality which is located partly within and
25 partly without the area, the proportion of the total which
26 resides within the area, and shall file the estimates with the
27 commissioner of revenue.

28 [EFFECTIVE DATE.] This section is effective the day
29 following final enactment.

30 Sec. 36. Minnesota Statutes 2004, section 282.016, is
31 amended to read:

32 282.016 [PROHIBITED PURCHASERS.]

33 ~~No~~ (a) A county auditor, county treasurer, county attorney,
34 court administrator of the district court, ~~or~~ county assessor
35 ~~or,~~ supervisor of assessments, ~~or~~ deputy or clerk or an employee
36 of such officer, ~~and-no~~ a commissioner for tax-forfeited lands

1 or an assistant to such commissioner may, must not become a
 2 purchaser, either personally or as an agent or attorney for
 3 another person, of the properties offered for sale under the
 4 provisions of this chapter, ~~either personally, or as agent or~~
 5 ~~attorney for any other person, except that~~ in the county for
 6 which the person performs duties.

7 (b) Notwithstanding paragraph (a), such officer, deputy,
 8 ~~court administrator clerk, or~~ employee or commissioner for
 9 tax-forfeited lands or assistant to such commissioner may (1)
 10 purchase lands owned by that official at the time the state
 11 became the absolute owner thereof or (2) bid upon and purchase
 12 forfeited property offered for sale under the alternate sale
 13 procedure described in section 282.01, subdivision 7a.

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

16 Sec. 37. Minnesota Statutes 2004, section 282.08, is
 17 amended to read:

18 282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

19 The net proceeds from the sale or rental of any parcel of
 20 forfeited land, or from the sale of products from the forfeited
 21 land, must be apportioned by the county auditor to the taxing
 22 districts interested in the land, as follows:

23 ~~(1) the amounts necessary to pay the state general tax levy~~
 24 ~~against the parcel for taxes payable in the year for which the~~
 25 ~~tax judgment was entered, and for each subsequent payable year~~
 26 ~~up to and including the year of forfeiture, must be apportioned~~
 27 ~~to the state;~~

28 ~~{2}~~ the portion required to pay any amounts included in the
 29 appraised value under section 282.01, subdivision 3, as
 30 representing increased value due to any public improvement made
 31 after forfeiture of the parcel to the state, but not exceeding
 32 the amount certified by the clerk of the municipality must be
 33 apportioned to the municipal subdivision entitled to it;

34 ~~{3}~~ (2) the portion required to pay any amount included in
 35 the appraised value under section 282.019, subdivision 5,
 36 representing increased value due to response actions taken after

1 forfeiture of the parcel to the state, but not exceeding the
2 amount of expenses certified by the Pollution Control Agency or
3 the commissioner of agriculture, must be apportioned to the
4 agency or the commissioner of agriculture and deposited in the
5 fund from which the expenses were paid;

6 ~~(4)~~ (3) the portion of the remainder required to discharge
7 any special assessment chargeable against the parcel for
8 drainage or other purpose whether due or deferred at the time of
9 forfeiture, must be apportioned to the municipal subdivision
10 entitled to it; and

11 ~~(5)~~ (4) any balance must be apportioned as follows:

12 (i) The county board may annually by resolution set aside
13 no more than 30 percent of the receipts remaining to be used for
14 timber development on tax-forfeited land and dedicated memorial
15 forests, to be expended under the supervision of the county
16 board. It must be expended only on projects approved by the
17 commissioner of natural resources.

18 (ii) The county board may annually by resolution set aside
19 no more than 20 percent of the receipts remaining to be used for
20 the acquisition and maintenance of county parks or recreational
21 areas as defined in sections 398.31 to 398.36, to be expended
22 under the supervision of the county board.

23 (iii) Any balance remaining must be apportioned as
24 follows: county, 40 percent; town or city, 20 percent; and
25 school district, 40 percent, provided, however, that in
26 unorganized territory that portion which would have accrued to
27 the township must be administered by the county board of
28 commissioners.

29 **[EFFECTIVE DATE.]** This section is effective the day
30 following final enactment for state general tax levy amounts
31 payable in 2004 and thereafter.

32 Sec. 38. Minnesota Statutes 2004, section 282.15, is
33 amended to read:

34 282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

35 The sale shall be conducted by the auditor of the county in
36 which the parcels lie. The parcels shall be sold to the highest

1 bidder but not for less than the appraised value. The sales
2 shall be for cash or on the following terms: The appraised
3 value of all merchantable timber on agricultural lands shall be
4 paid for in full at the date of sale. At least 15 percent of
5 the purchase price of the land shall be paid in cash at the time
6 of purchase. The balance shall be paid in not more than 20
7 equal annual installments, with interest at a rate equal to the
8 rate in effect at the time under section 549.09 on the unpaid
9 balance each year. Both principal and interest are due and
10 payable on December 31 each year following that in which the
11 purchase was made. The purchaser may pay any number of
12 installments of principal and interest on or before their due
13 date. When the sale is on terms other than for cash in full,
14 the purchaser shall receive from the county auditor a contract
15 for deed, in a form prescribed by the attorney general. The
16 county auditor shall make a report to the commissioner of
17 natural resources not more than 30 days after each public sale
18 showing the lands sold at the sales, and submit a copy of each
19 contract of sale.

20 All lands sold pursuant to this section shall, ~~on the~~
21 ~~second day of January following the date of the sale,~~ must be
22 restored to the tax rolls and become subject to taxation in the
23 same manner as they were assessed and taxed before becoming the
24 absolute property of the state for the assessment year
25 determined under section 272.02, subdivision 38, paragraph (c).

26 [EFFECTIVE DATE.] This section is effective for sales
27 occurring on or after July 1, 2005.

28 Sec. 39. Minnesota Statutes 2004, section 282.21, is
29 amended to read:

30 282.21 [FORM OF CONVEYANCE.]

31 When any sale has been made under sections 282.14 to
32 282.22, upon payment in full of the purchase price, appropriate
33 conveyance in fee in such form as may be prescribed by the
34 attorney general shall be issued by the commissioner of ~~finance~~
35 natural resources to the purchaser or the purchaser's assigns
36 and this conveyance shall have the force and effect of a patent

1 from the state.

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

4 Sec. 40. Minnesota Statutes 2004, section 282.224, is
5 amended to read:

6 282.224 [FORM OF CONVEYANCE.]

7 When any sale has been made under sections 282.221 to
8 282.226, upon payment in full of the purchase price, appropriate
9 conveyance in fee, in such form as may be prescribed by the
10 attorney general, shall be issued by the commissioner of natural
11 resources to the purchaser or the purchaser's assignee, and the
12 conveyance shall have the force and effect of a patent from the
13 state.

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

16 Sec. 41. Minnesota Statutes 2004, section 282.301, is
17 amended to read:

18 282.301 [RECEIPTS FOR PAYMENTS.]

19 When any sale has been made under sections 282.012 and
20 282.241 to 282.324, the purchaser shall receive from the county
21 auditor at the time of repurchase a receipt, in such form as may
22 be prescribed by the attorney general. When the purchase price
23 of a parcel of land shall be paid in full, the following facts
24 shall be certified by the county auditor to the commissioner of
25 revenue of the state of Minnesota: the description of land, the
26 date of sale, the name of the purchaser or the purchaser's
27 assignee, and the date when the final installment of the
28 purchase price was paid. Upon payment in full of the purchase
29 price, the purchaser or the assignee shall receive a quitclaim
30 deed from the state, to be executed by the commissioner of
31 revenue. The deed must be sent to the county auditor who shall
32 have it recorded before it is forwarded to the purchaser.
33 Failure to make any payment herein required shall constitute
34 default and upon such default and cancellation in accord with
35 section 282.40, the right, title and interest of the purchaser
36 or the purchaser's heirs, representatives, or assigns in such

1 parcel shall terminate.

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

4 Sec. 42. Minnesota Statutes 2004, section 290A.19, is
5 amended to read:

6 290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT
7 CERTIFICATE.]

8 (a) The owner or managing agent of any property for which
9 rent is paid for occupancy as a homestead must furnish a
10 certificate of rent paid to a person who is a renter on December
11 31, in the form prescribed by the commissioner. If the renter
12 moves before December 31, the owner or managing agent may give
13 the certificate to the renter at the time of moving, or mail the
14 certificate to the forwarding address if an address has been
15 provided by the renter. The certificate must be made available
16 to the renter before February 1 of the year following the year
17 in which the rent was paid. The owner or managing agent must
18 retain a duplicate of each certificate or an equivalent record
19 showing the same information for a period of three years. The
20 duplicate or other record must be made available to the
21 commissioner upon request. For the purposes of this section,
22 "owner" includes a park owner as defined under section 327C.01,
23 subdivision 6, and "property" includes a lot as defined under
24 section 327C.01, subdivision 3.

25 (b) The commissioner may require the owner or managing
26 agent to file a copy of the certificate of rent paid with the
27 commissioner by April 15 of the year following the year in which
28 the rent was paid. The copy must be submitted to the
29 commissioner by electronic means as that term is defined in
30 section 289A.02, subdivision 8. This paragraph does not apply to
31 any owner or managing agent that is required to issue
32 certificates to renters of fewer than 100 units.

33 [EFFECTIVE DATE.] This section is effective for
34 certificates of rent paid that are issued for rent paid after
35 December 31, 2005.

36 Sec. 43. Minnesota Statutes 2004, section 290B.05,

1 subdivision 3, is amended to read:

2 Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.]

3 When final property tax amounts for the following year have been
 4 determined, the county auditor shall calculate the "deferred
 5 property tax amount." The deferred property tax amount is equal
 6 to the lesser of (1) the maximum allowable deferral for the
 7 year; or (2) the difference between (i) the total amount of
 8 property taxes and special assessments levied upon the
 9 qualifying homestead by all taxing jurisdictions and (ii) the
 10 maximum property tax amount. ~~Any special assessments levied by~~
 11 ~~any local unit of government must not be included in the total~~
 12 ~~tax used to calculate the deferred tax amount.~~ For this purpose
 13 "special assessments" includes any assessment, fee, or other
 14 charge that may by law, and which does, appear on the property
 15 tax statement for the property for collection under the laws
 16 applicable to the enforcement of real estate taxes. Any tax
 17 attributable to new improvements made to the property after the
 18 initial application has been approved under section 290B.04,
 19 subdivision 2, must be excluded when determining any subsequent
 20 deferred property tax amount. The county auditor shall
 21 annually, on or before April 15, certify to the commissioner of
 22 revenue the property tax deferral amounts determined under this
 23 subdivision by property and by owner.

24 [EFFECTIVE DATE.] This section is effective for amounts
25 deferred in 2006 and thereafter.

26 Sec. 44. Minnesota Statutes 2004, section 373.45,
27 subdivision 7, is amended to read:

28 Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as
29 provided in paragraph (b), the commissioner may reduce, by the
30 amount paid by the state under this section on behalf of the
31 county, plus the interest due on the state payments, the
32 ~~following aids payable to the county:~~

33 ~~(1) homestead and agricultural credit aid and disparity~~
34 ~~reduction aid payable under section 273.1398,~~

35 ~~(2) county criminal justice aid payable under section~~
36 ~~477A.0121, and~~

1 ~~(3)-family-preservation-aid-payable-under-section-477A-0122~~
2 county program aid under section 477A.0124.

3 The amount of any aid reduction reverts from the appropriate
4 account to the state general fund.

5 (b) If, after review of the financial situation of the
6 county, the authority advises the commissioner that a total
7 reduction of the aids would cause an undue hardship on the
8 county, the authority, with the approval of the commissioner,
9 may establish a different schedule for reduction of aids to
10 repay the state. The amount of aids to be reduced are decreased
11 by any amounts repaid to the state by the county from other
12 revenue sources.

13 **[EFFECTIVE DATE.]** This section is effective for aid payable
14 in 2005 and thereafter.

15 Sec. 45. Minnesota Statutes 2004, section 469.1735,
16 subdivision 3, is amended to read:

17 Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city
18 may elect to use all or part of its allocation under subdivision
19 2 to reimburse the city or county or both for property tax
20 reductions under section 272.0212. To elect this option, the
21 city must notify the commissioner of revenue by October 1 of
22 each calendar year of the amount of the property tax
23 reductions for which it seeks reimbursements for taxes payable
24 during the ~~following~~ current year and the governmental units to
25 which the amounts will be paid. The commissioner may require
26 the city to provide information substantiating the amount of the
27 reductions granted or any other information necessary to
28 administer this provision. The commissioner shall pay the
29 reimbursements by December 26 of the taxes payable year. Any
30 amount transferred under this authority reduces the amount of
31 tax credit certificates available under subdivisions 1 and 2.

32 (b) The amount elected by the city under paragraph (a) is
33 appropriated to the commissioner of revenue from the general
34 fund to reimburse the city or county for tax reductions under
35 section 272.0212. The amount appropriated may not exceed the
36 maximum amounts allocated to a city under subdivision 2,

1 paragraph (b), less the amount of certificates issued by the
2 city under subdivision 1, and is available until expended.

3 [EFFECTIVE DATE.] This section is effective for
4 reimbursements of taxes payable in 2005 and thereafter.

5 Sec. 46. [473.24] [POPULATION ESTIMATES.]

6 (a) The Metropolitan Council shall annually prepare an
7 estimate of population for each county, city, and town in the
8 metropolitan area and an estimate of the number of households
9 and average household size for each city in the metropolitan
10 area with a population of 2,500 or more, and an estimate of
11 population over age 65 for each county in the metropolitan area,
12 and convey the estimates to the governing body of each county,
13 city, or town by June 1 each year. In the case of a city or
14 town that is located partly within and partly without the
15 metropolitan area, the Metropolitan Council shall estimate the
16 proportion of the total population and the average size of
17 households that reside within the area. The Metropolitan
18 Council may prepare an estimate of the population and of the
19 average household size for any other political subdivision
20 located in the metropolitan area.

21 (b) A governing body may challenge an estimate made under
22 this section by filing its specific objections in writing with
23 the Metropolitan Council by June 24. If the challenge does not
24 result in an acceptable estimate, the governing body may have a
25 special census conducted by the United States Bureau of the
26 Census. The political subdivision must notify the Metropolitan
27 Council on or before July 1 of its intent to have the special
28 census conducted. The political subdivision must bear all costs
29 of the special census. Results of the special census must be
30 received by the Metropolitan Council by the next April 15 to be
31 used in that year's June 1 estimate under this section. The
32 Metropolitan Council shall certify the estimates of population
33 and the average household size to the state demographer and to
34 the commissioner of revenue by July 15 each year, including any
35 estimates still under objection.

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

1 following final enactment.

2 Sec. 47. Minnesota Statutes 2004, section 473F.02,
3 subdivision 7, is amended to read:

4 Subd. 7. [POPULATION.] "Population" means the most recent
5 estimate of the population of a municipality made by the
6 Metropolitan Council under section 473.24 and filed with the
7 commissioner of revenue as of July ± 15 of the year in which a
8 municipality's distribution net tax capacity is calculated. ~~The~~
9 ~~council shall annually estimate the population of each~~
10 ~~municipality as of a date which it determines and, in the case~~
11 ~~of a municipality which is located partly within and partly~~
12 ~~without the area, the proportion of the total which resides~~
13 ~~within the area, and shall promptly thereafter file its~~
14 ~~estimates with the commissioner of revenue.~~

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

17 Sec. 48. Minnesota Statutes 2004, section 477A.011,
18 subdivision 3, is amended to read:

19 Subd. 3. [POPULATION.] "Population" means the
20 population estimated or established as of July ± 15 in an aid
21 calculation year by the most recent federal census, by a special
22 census conducted under contract with the United States Bureau of
23 the Census, by a population estimate made by the Metropolitan
24 Council pursuant to section 473.24, or by a population estimate
25 of the state demographer made pursuant to section 4A.02,
26 whichever is the most recent as to the stated date of the count
27 or estimate for the preceding calendar year, and which has been
28 certified to the commissioner of revenue on or before July 15 of
29 the aid calculation year. The term "per capita" refers to
30 population as defined by this subdivision. A revision of an
31 estimate or count is effective for these purposes only if it is
32 certified to the commissioner on or before July 15 of the aid
33 calculation year. Clerical errors in the certification or use
34 of the estimates and counts established as of July 15 in the aid
35 calculation year are subject to correction within the time
36 periods allowed under section 477A.014.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 49. Minnesota Statutes 2004, section 477A.011,
4 subdivision 36, is amended to read:

5 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
6 provided in this subdivision, "city aid base" is zero.

7 (b) The city aid base for any city with a population less
8 than 500 is increased by \$40,000 for aids payable in calendar
9 year 1995 and thereafter, and the maximum amount of total aid it
10 may receive under section 477A.013, subdivision 9, paragraph
11 (c), is also increased by \$40,000 for aids payable in calendar
12 year 1995 only, provided that:

13 (i) the average total tax capacity rate for taxes payable
14 in 1995 exceeds 200 percent;

15 (ii) the city portion of the tax capacity rate exceeds 100
16 percent; and

17 (iii) its city aid base is less than \$60 per capita.

18 (c) The city aid base for a city is increased by \$20,000 in
19 1998 and thereafter and the maximum amount of total aid it may
20 receive under section 477A.013, subdivision 9, paragraph (c), is
21 also increased by \$20,000 in calendar year 1998 only, provided
22 that:

23 (i) the city has a population in 1994 of 2,500 or more;

24 (ii) the city is located in a county, outside of the
25 metropolitan area, which contains a city of the first class;

26 (iii) the city's net tax capacity used in calculating its
27 1996 aid under section 477A.013 is less than \$400 per capita;
28 and

29 (iv) at least four percent of the total net tax capacity,
30 for taxes payable in 1996, of property located in the city is
31 classified as railroad property.

32 (d) The city aid base for a city is increased by \$200,000
33 in 1999 and thereafter and the maximum amount of total aid it
34 may receive under section 477A.013, subdivision 9, paragraph
35 (c), is also increased by \$200,000 in calendar year 1999 only,
36 provided that:

1 (i) the city was incorporated as a statutory city after
2 December 1, 1993;

3 (ii) its city aid base does not exceed \$5,600; and

4 (iii) the city had a population in 1996 of 5,000 or more.

5 (e) The city aid base for a city is increased by \$450,000
6 in 1999 to 2008 and the maximum amount of total aid it may
7 receive under section 477A.013, subdivision 9, paragraph (c), is
8 also increased by \$450,000 in calendar year 1999 only, provided
9 that:

10 (i) the city had a population in 1996 of at least 50,000;

11 (ii) its population had increased by at least 40 percent in
12 the ten-year period ending in 1996; and

13 (iii) its city's net tax capacity for aids payable in 1998
14 is less than \$700 per capita.

15 ~~(f) Beginning in 2004, the city aid base for a city is~~
16 ~~equal to the sum of its city aid base in 2003 and the amount of~~
17 ~~additional aid it was certified to receive under section 477A.06~~
18 ~~in 2003. For 2004 only, the maximum amount of total aid a city~~
19 ~~may receive under section 477A.013, subdivision 9, paragraph~~
20 ~~(e), is also increased by the amount it was certified to receive~~
21 ~~under section 477A.06 in 2003.~~

22 ~~(g)~~ The city aid base for a city is increased by \$150,000
23 for aids payable in 2000 and thereafter, and the maximum amount
24 of total aid it may receive under section 477A.013, subdivision
25 9, paragraph (c), is also increased by \$150,000 in calendar year
26 2000 only, provided that:

27 (1) the city has a population that is greater than 1,000
28 and less than 2,500;

29 (2) its commercial and industrial percentage for aids
30 payable in 1999 is greater than 45 percent; and

31 (3) the total market value of all commercial and industrial
32 property in the city for assessment year 1999 is at least 15
33 percent less than the total market value of all commercial and
34 industrial property in the city for assessment year 1998.

35 ~~(h)~~ (g) The city aid base for a city is increased by
36 \$200,000 in 2000 and thereafter, and the maximum amount of total

1 aid it may receive under section 477A.013, subdivision 9,
2 paragraph (c), is also increased by \$200,000 in calendar year
3 2000 only, provided that:

4 (1) the city had a population in 1997 of 2,500 or more;

5 (2) the net tax capacity of the city used in calculating
6 its 1999 aid under section 477A.013 is less than \$650 per
7 capita;

8 (3) the pre-1940 housing percentage of the city used in
9 calculating 1999 aid under section 477A.013 is greater than 12
10 percent;

11 (4) the 1999 local government aid of the city under section
12 477A.013 is less than 20 percent of the amount that the formula
13 aid of the city would have been if the need increase percentage
14 was 100 percent; and

15 (5) the city aid base of the city used in calculating aid
16 under section 477A.013 is less than \$7 per capita.

17 ~~(h)~~ (h) The city aid base for a city is increased by
18 \$102,000 in 2000 and thereafter, and the maximum amount of total
19 aid it may receive under section 477A.013, subdivision 9,
20 paragraph (c), is also increased by \$102,000 in calendar year
21 2000 only, provided that:

22 (1) the city has a population in 1997 of 2,000 or more;

23 (2) the net tax capacity of the city used in calculating
24 its 1999 aid under section 477A.013 is less than \$455 per
25 capita;

26 (3) the net levy of the city used in calculating 1999 aid
27 under section 477A.013 is greater than \$195 per capita; and

28 (4) the 1999 local government aid of the city under section
29 477A.013 is less than 38 percent of the amount that the formula
30 aid of the city would have been if the need increase percentage
31 was 100 percent.

32 ~~(i)~~ (i) The city aid base for a city is increased by
33 \$32,000 in 2001 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 \$32,000 in calendar year
36 2001 only, provided that:

1 (1) the city has a population in 1998 that is greater than
2 200 but less than 500;

3 (2) the city's revenue need used in calculating aids
4 payable in 2000 was greater than \$200 per capita;

5 (3) the city net tax capacity for the city used in
6 calculating aids available in 2000 was equal to or less than
7 \$200 per capita;

8 (4) the city aid base of the city used in calculating aid
9 under section 477A.013 is less than \$65 per capita; and

10 (5) the city's formula aid for aids payable in 2000 was
11 greater than zero.

12 ~~(k)~~ (j) The city aid base for a city is increased by \$7,200
13 in 2001 and thereafter, and the maximum amount of total aid it
14 may receive under section 477A.013, subdivision 9, paragraph
15 (c), is also increased by \$7,200 in calendar year 2001 only,
16 provided that:

17 (1) the city had a population in 1998 that is greater than
18 200 but less than 500;

19 (2) the city's commercial industrial percentage used in
20 calculating aids payable in 2000 was less than ten percent;

21 (3) more than 25 percent of the city's population was 60
22 years old or older according to the 1990 census;

23 (4) the city aid base of the city used in calculating aid
24 under section 477A.013 is less than \$15 per capita; and

25 (5) the city's formula aid for aids payable in 2000 was
26 greater than zero.

27 ~~(l)~~ (k) The city aid base for a city is increased by
28 \$45,000 in 2001 and thereafter and by an additional \$50,000 in
29 calendar years 2002 to 2011, and the maximum amount of total aid
30 it may receive under section 477A.013, subdivision 9, paragraph
31 (c), is also increased by \$45,000 in calendar year 2001 only,
32 and by \$50,000 in calendar year 2002 only, provided that:

33 (1) the net tax capacity of the city used in calculating
34 its 2000 aid under section 477A.013 is less than \$810 per
35 capita;

36 (2) the population of the city declined more than two

1 percent between 1988 and 1998;

2 (3) the net levy of the city used in calculating 2000 aid
3 under section 477A.013 is greater than \$240 per capita; and

4 (4) the city received less than \$36 per capita in aid under
5 section 477A.013, subdivision 9, for aids payable in 2000.

6 ~~(m)~~ (l) The city aid base for a city with a population of
7 10,000 or more which is located outside of the seven-county
8 metropolitan area is increased in 2002 and thereafter, and the
9 maximum amount of total aid it may receive under section
10 477A.013, subdivision 9, paragraph (b) or (c), is also increased
11 in calendar year 2002 only, by an amount equal to the lesser of:

12 (1) (i) the total population of the city, as determined by
13 the United States Bureau of the Census, in the 2000 census, (ii)
14 minus 5,000, (iii) times 60; or

15 (2) \$2,500,000.

16 ~~(n)~~ (m) The city aid base is increased by \$50,000 in 2002
17 and thereafter, and the maximum amount of total aid it may
18 receive under section 477A.013, subdivision 9, paragraph (c), is
19 also increased by \$50,000 in calendar year 2002 only, provided
20 that:

21 (1) the city is located in the seven-county metropolitan
22 area;

23 (2) its population in 2000 is between 10,000 and 20,000;
24 and

25 (3) its commercial industrial percentage, as calculated for
26 city aid payable in 2001, was greater than 25 percent.

27 ~~(e)~~ (n) The city aid base for a city is increased by
28 \$150,000 in calendar years 2002 to 2011 and the maximum amount
29 of total aid it may receive under section 477A.013, subdivision
30 9, paragraph (c), is also increased by \$150,000 in calendar year
31 2002 only, provided that:

32 (1) the city had a population of at least 3,000 but no more
33 than 4,000 in 1999;

34 (2) its home county is located within the seven-county
35 metropolitan area;

36 (3) its pre-1940 housing percentage is less than 15

1 percent; and

2 (4) its city net tax capacity per capita for taxes payable
3 in 2000 is less than \$900 per capita.

4 ~~(p)~~ (o) The city aid base for a city is increased by
5 \$200,000 beginning in calendar year 2003 and the maximum amount
6 of total aid it may receive under section 477A.013, subdivision
7 9, paragraph (c), is also increased by \$200,000 in calendar year
8 2003 only, provided that the city qualified for an increase in
9 homestead and agricultural credit aid under Laws 1995, chapter
10 264, article 8, section 18.

11 ~~(q)~~ (p) The city aid base for a city is increased by
12 \$200,000 in 2004 only and the maximum amount of total aid it may
13 receive under section 477A.013, subdivision 9, is also increased
14 by \$200,000 in calendar year 2004 only, if the city is the site
15 of a nuclear dry cask storage facility.

16 ~~(r)~~ (q) The city aid base for a city is increased by
17 \$10,000 in 2004 and thereafter and the maximum total aid it may
18 receive under section 477A.013, subdivision 9, is also increased
19 by \$10,000 in calendar year 2004 only, if the city was included
20 in a federal major disaster designation issued on April 1, 1998,
21 and its pre-1940 housing stock was decreased by more than 40
22 percent between 1990 and 2000.

23 [EFFECTIVE DATE.] This section is effective beginning with
24 aids payable in 2004.

25 Sec. 50. Minnesota Statutes 2004, section 477A.011,
26 subdivision 38, is amended to read:

27 Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the
28 average number of persons per household in the jurisdiction as
29 most recently estimated and reported by the state
30 demographer and Metropolitan Council as of July ± 15 of the aid
31 calculation year. A revision to an estimate or enumeration is
32 effective for these purposes only if it is certified to the
33 commissioner on or before July 15 of the aid calculation year.
34 Clerical errors in the certification or use of estimates and
35 counts established as of July 15 in the aid calculation year are
36 subject to correction within the time periods allowed under

1 section 477A.014.

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

4 Sec. 51. Minnesota Statutes 2004, section 477A.0124,
5 subdivision 2, is amended to read:

6 Subd. 2. [DEFINITIONS.] (a) For the purposes of this
7 section, the following terms have the meanings given them.

8 (b) "County program aid" means the sum of "county need aid,"
9 "county tax base equalization aid," and "county transition aid."

10 (c) "Age-adjusted population" means a county's population
11 multiplied by the county age index.

12 (d) "County age index" means the percentage of the
13 population over age 65 within the county divided by the
14 percentage of the population over age 65 within the state,
15 except that the age index for any county may not be greater than
16 1.8 nor less than 0.8.

17 (e) "Population over age 65" means the population over age
18 65 established as of July 4 15 in an aid calculation year by the
19 most recent federal census, by a special census conducted under
20 contract with the United States Bureau of the Census, by a
21 population estimate made by the Metropolitan Council, or by a
22 population estimate of the state demographer made pursuant to
23 section 4A.02, whichever is the most recent as to the stated
24 date of the count or estimate for the preceding calendar
25 year and which has been certified to the commissioner of revenue
26 on or before July 15 of the aid calculation year. A revision to
27 an estimate or count is effective for these purposes only if
28 certified to the commissioner on or before July 15 of the aid
29 calculation year. Clerical errors in the certification or use
30 of estimates and counts established as of July 15 in the aid
31 calculation year are subject to correction within the time
32 periods allowed under section 477A.014.

33 (f) "Part I crimes" means the three-year average annual
34 number of Part I crimes reported for each county by the
35 Department of Public Safety for the most recent years available.
36 By July 1 of each year, the commissioner of public safety shall

1 certify to the commissioner of revenue the number of Part I
2 crimes reported for each county for the three most recent
3 calendar years available.

4 (g) "Households receiving food stamps" means the average
5 monthly number of households receiving food stamps for the three
6 most recent years for which data is available. By July 1 of
7 each year, the commissioner of human services must certify to
8 the commissioner of revenue the average monthly number of
9 households in the state and in each county that receive food
10 stamps, for the three most recent calendar years available.

11 (h) "County net tax capacity" means the net tax capacity of
12 the county, computed analogously to city net tax capacity under
13 section 477A.011, subdivision 20.

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

16 Sec. 52. Laws 2003, chapter 127, article 5, section 27,
17 the effective date, is amended to read:

18 [EFFECTIVE DATE.] This section is effective for ~~taxes~~
19 ~~payable-in-2004-and-thereafter~~ distributions occurring on or
20 after June 10, 2003.

21 Sec. 53. Laws 2003, chapter 127, article 5, section 28,
22 the effective date, is amended to read:

23 [EFFECTIVE DATE.] This section is effective for ~~taxes~~
24 ~~payable-in-2004-and-thereafter~~ distributions occurring on or
25 after June 10, 2003.

26 Sec. 54. Laws 2003, First Special Session chapter 21,
27 article 5, section 13, is amended to read:

28 Sec. 13. [2004 CITY AID REDUCTIONS.]

29 The commissioner of revenue shall compute an aid reduction
30 amount for 2004 for each city as provided in this section.

31 The initial aid reduction amount for each city is the
32 amount by which the city's aid distribution under Minnesota
33 Statutes, section 477A.013, and related provisions payable in
34 2003 exceeds the city's 2004 distribution under those provisions.

35 The minimum aid reduction amount for a city is the amount
36 of its reduction in 2003 under section 12. If a city receives

1 an increase to its city aid base under Minnesota Statutes,
2 section 477A.011, subdivision 36, its minimum aid reduction is
3 reduced by an equal amount.

4 The maximum aid reduction amount for a city is an amount
5 equal to 14 percent of the city's total 2004 levy plus aid
6 revenue base, except that if the city has a city net tax
7 capacity for aids payable in 2004, as defined in Minnesota
8 Statutes, section 477A.011, subdivision 20, of \$700 per capita
9 or less, the maximum aid reduction shall not exceed an amount
10 equal to 13 percent of the city's total 2004 levy plus aid
11 revenue base.

12 If the initial aid reduction amount for a city is less than
13 the minimum aid reduction amount for that city, the final aid
14 reduction amount for the city is the sum of the initial aid
15 reduction amount and the lesser of the amount of the city's
16 payable 2004 reimbursement under Minnesota Statutes, section
17 273.1384, or the difference between the minimum and initial aid
18 reduction amounts for the city, and the amount of the final aid
19 reduction in excess of the initial aid reduction is deducted
20 from the city's reimbursements pursuant to Minnesota Statutes,
21 section 273.1384.

22 If the initial aid reduction amount for a city is greater
23 than the maximum aid reduction amount for the city, the city
24 receives an additional distribution under this section equal to
25 the result of subtracting the maximum aid reduction amount from
26 the initial aid reduction amount. This distribution shall be
27 paid in equal installments in 2004 on the dates specified in
28 Minnesota Statutes, section 477A.015. The amount necessary for
29 these additional distributions is appropriated to the
30 commissioner of revenue from the general fund in fiscal year
31 2005.

32 ~~The initial aid reduction is applied to the city's~~
33 ~~distribution pursuant to Minnesota Statutes, section 477A.013,~~
34 ~~and any aid reduction in excess of the initial aid reduction is~~
35 ~~applied to the city's reimbursements pursuant to Minnesota~~
36 ~~Statutes, section 273.1384.~~

1 To the extent that sufficient information is available on
2 each payment date in 2004, the commissioner of revenue shall pay
3 the reimbursements reduced under this section in equal
4 installments on the payment dates provided in law.

5 [EFFECTIVE DATE.] This section is effective for aids
6 payable in 2004.

7 Sec. 55. Laws 2003, First Special Session chapter 21,
8 article 6, section 9, is amended to read:

9 Sec. 9. [DEFINITIONS.]

10 (a) For purposes of sections 9 to 15, the following terms
11 have the meanings given them in this section.

12 (b) The 2003 and 2004 "levy plus aid revenue base" for a
13 county is the sum of that county's certified property tax levy
14 for taxes payable in 2003, plus the sum of the amounts the
15 county was certified to receive in the designated calendar year
16 as:

17 (1) homestead and agricultural credit aid under Minnesota
18 Statutes, section 273.1398, subdivision 2, plus any additional
19 aid under section 16, minus the amount calculated under section
20 273.1398, subdivision 4a, paragraph (b), for counties in
21 judicial districts one, three, six, and ten, and 25 percent of
22 the amount calculated under section 273.1398, subdivision 4a,
23 paragraph (b), for counties in judicial districts two and four;

24 (2) the amount of county manufactured home homestead and
25 agricultural credit aid computed for the county for payment in
26 2003 under section 273.166;

27 (3) criminal justice aid under Minnesota Statutes, section
28 477A.0121;

29 (4) family preservation aid under Minnesota Statutes,
30 section 477A.0122;

31 (5) taconite aids under Minnesota Statutes, sections 298.28
32 and 298.282, including any aid which was required to be placed
33 in a special fund for expenditure in the next succeeding year;
34 and

35 (6) county program aid under section 477A.0124, exclusive
36 of the attached machinery aid component.

1 of gross income stated in the return;

2 (2) the taxpayer omits from a sales, use, or withholding
3 tax return an amount of taxes in excess of 25 percent of the
4 taxes reported in the return; or

5 (3) the taxpayer omits from the gross estate assets in
6 excess of 25 percent of the gross estate reported in the return.

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

9 Sec. 2. Minnesota Statutes 2004, section 289A.38, is
10 amended by adding a subdivision to read:

11 Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser
12 refund claim is filed under section 289A.50, subdivision 2a, and
13 the basis for the claim is that the purchaser was improperly
14 charged tax on an improvement to real property or on the
15 purchase of nontaxable services, sales or use tax may be
16 assessed for the cost of materials used to make the real
17 property improvement or to perform the nontaxable service. The
18 assessment may be made against the person making the improvement
19 to real property or the sale of nontaxable services, within the
20 period prescribed in subdivision 1, or within one year after the
21 date of the refund order, whichever is later.

22 [EFFECTIVE DATE.] This section is effective for purchaser
23 refund claims filed on or after July 1, 2005.

24 Sec. 3. Minnesota Statutes 2004, section 289A.40,
25 subdivision 2, is amended to read:

26 Subd. 2. [BAD DEBT LOSS.] If a claim relates to an
27 overpayment because of a failure to deduct a loss due to a bad
28 debt or to a security becoming worthless, the claim is
29 considered timely if filed within seven years from the date
30 prescribed for the filing of the return. A claim relating to an
31 overpayment of taxes under chapter 297A must be filed within
32 3-1/2 years from the date prescribed for filing the return, plus
33 any extensions granted for filing the return, but only if filed
34 within the extended time. The refund or credit is limited to
35 the amount of overpayment attributable to the loss. "Bad debt"
36 for purposes of this subdivision, has the same meaning as that

1 term is used in United States Code, title 26, section 166,
2 except that for a claim relating to an overpayment of taxes
3 under chapter 297A the following are excluded from the
4 calculation of bad debt: financing charges or interest; sales
5 or use taxes charged on the purchase price; uncollectible
6 amounts on property that remain in the possession of the seller
7 until the full purchase price is paid; expenses incurred in
8 attempting to collect any debt; and repossessed property.

9 **[EFFECTIVE DATE.]** For claims relating to an overpayment of
10 taxes under chapter 297A, this section is effective for sales
11 and purchases made on or after January 1, 2004; for all other
12 bad debts or claims, this section is effective on or after July
13 1, 2003.

14 Sec. 4. Minnesota Statutes 2004, section 289A.40, is
15 amended by adding a subdivision to read:

16 Subd. 4. [PURCHASER FILED REFUND CLAIMS.] A claim for
17 refund of taxes paid on a transaction not subject to tax under
18 chapter 297A, where the purchaser may apply directly to the
19 commissioner under section 289A.50, subdivision 2a, must be
20 filed within 3-1/2 years from the 20th day of the month
21 following the month of the invoice date for the purchase.

22 **[EFFECTIVE DATE.]** This section is effective for claims
23 filed on or after the day following final enactment.

24 Sec. 5. Minnesota Statutes 2004, section 289A.40, is
25 amended by adding a subdivision to read:

26 Subd. 5. [CAPITAL EQUIPMENT REFUND CLAIMS.] A claim for
27 refund for taxes paid under chapter 297A on capital equipment
28 must be filed within 3-1/2 years from the 20th day of the month
29 following the month of the invoice date for the purchase of the
30 capital equipment. A claim for refund for taxes imposed on
31 capital equipment under section 297A.63 must be filed within
32 3-1/2 years from the date prescribed for filing the return, or
33 one year from the date of an order assessing tax under section
34 289A.37, subdivision 1, upon payment in full of the tax,
35 penalties, and interest shown on the order, whichever period
36 expires later.

1 [EFFECTIVE DATE.] This section is effective for claims
2 filed on or after the day following final enactment.

3 Sec. 6. Minnesota Statutes 2004, section 297A.61,
4 subdivision 3, is amended to read:

5 Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase"
6 include, but are not limited to, each of the transactions listed
7 in this subdivision.

8 (b) Sale and purchase include:

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

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

17 (c) Sale and purchase include the production, fabrication,
18 printing, or processing of tangible personal property for a
19 consideration for consumers who furnish either directly or
20 indirectly the materials used in the production, fabrication,
21 printing, or processing.

22 (d) Sale and purchase include the preparing for a
23 consideration of food. Notwithstanding section 297A.67,
24 subdivision 2, taxable food includes, but is not limited to, the
25 following:

26 (1) prepared food sold by the retailer;

27 (2) soft drinks;

28 (3) candy; and

29 (4) dietary supplements; and

30 (5) all food sold through vending machines.

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

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

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

3 (1) the privilege of admission to places of amusement,
4 recreational areas, or athletic events, and the making available
5 of amusement devices, tanning facilities, reducing salons, steam
6 baths, turkish baths, health clubs, and spas or athletic
7 facilities;

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

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

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

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

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

26 Granting of membership means both onetime initiation fees and
27 periodic membership dues. Sports and athletic facilities
28 include golf courses; tennis, racquetball, handball, and squash
29 courts; basketball and volleyball facilities; running tracks;
30 exercise equipment; swimming pools; and other similar athletic
31 or sports facilities;

32 (5) delivery of aggregate materials and concrete block by a
33 third party if the delivery would be subject to the sales tax if
34 provided by the seller of the aggregate material or concrete
35 block; and

36 (6) services as provided in this clause:

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

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

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

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

21 (v) pet grooming services;

22 (vi) lawn care, fertilizing, mowing, spraying and sprigging
23 services; garden planting and maintenance; tree, bush, and shrub
24 pruning, bracing, spraying, and surgery; indoor plant care;
25 tree, bush, shrub, and stump removal; and tree trimming for
26 public utility lines. Services performed under a construction
27 contract for the installation of shrubbery, plants, sod, trees,
28 bushes, and similar items are not taxable;

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

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

36 In applying the provisions of this chapter, the terms

1 "tangible personal property" and "sales at retail" include
2 taxable services listed in clause (6), items (i) to (vi) and
3 (viii), and the provision of these taxable services, unless
4 specifically provided otherwise. Services performed by an
5 employee for an employer are not taxable. Services performed by
6 a partnership or association for another partnership or
7 association are not taxable if one of the entities owns or
8 controls more than 80 percent of the voting power of the equity
9 interest in the other entity. Services performed between
10 members of an affiliated group of corporations are not taxable.
11 For purposes of the preceding sentence, "affiliated group of
12 corporations" includes those entities that would be classified
13 as members of an affiliated group under United States Code,
14 title 26, section 1504, and that are eligible to file a
15 consolidated tax return for federal income tax purposes.

16 (h) A sale and a purchase includes the furnishing for a
17 consideration of tangible personal property or taxable services
18 by the United States or any of its agencies or
19 instrumentalities, or the state of Minnesota, its agencies,
20 instrumentalities, or political subdivisions.

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

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

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

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 7. Minnesota Statutes 2004, section 297A.61,
2 subdivision 4, is amended to read:

3 Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any
4 sale, lease, or rental for any purpose, other than resale,
5 sublease, or subrent of items by the purchaser in the normal
6 course of business as defined in subdivision 21.

7 (b) A sale of property used by the owner only by leasing it
8 to others or by holding it in an effort to lease it, and put to
9 no use by the owner other than resale after the lease or effort
10 to lease, is a sale of property for resale.

11 (c) A sale of master computer software that is purchased
12 and used to make copies for sale or lease is a sale of property
13 for resale.

14 (d) A sale of building materials, supplies, and equipment
15 to owners, contractors, subcontractors, or builders for the
16 erection of buildings or the alteration, repair, or improvement
17 of real property is a retail sale in whatever quantity sold,
18 whether the sale is for purposes of resale in the form of real
19 property or otherwise.

20 (e) A sale of carpeting, linoleum, or similar floor
21 covering to a person who provides for installation of the floor
22 covering is a retail sale and not a sale for resale since a sale
23 of floor covering which includes installation is a contract for
24 the improvement of real property.

25 (f) A sale of shrubbery, plants, sod, trees, and similar
26 items to a person who provides for installation of the items is
27 a retail sale and not a sale for resale since a sale of
28 shrubbery, plants, sod, trees, and similar items that includes
29 installation is a contract for the improvement of real property.

30 (g) A sale of tangible personal property that is awarded as
31 prizes is a retail sale and is not considered a sale of property
32 for resale.

33 (h) A sale of tangible personal property utilized or
34 employed in the furnishing or providing of services under
35 subdivision 3, paragraph (g), clause (1), including, but not
36 limited to, property given as promotional items, is a retail

1 sale and is not considered a sale of property for resale.

2 (i) A sale of tangible personal property used in conducting
3 lawful gambling under chapter 349 or the state lottery under
4 chapter 349A, including, but not limited to, property given as
5 promotional items, is a retail sale and is not considered a sale
6 of property for resale.

7 (j) A sale of machines, equipment, or devices that are used
8 to furnish, provide, or dispense goods or services, including,
9 but not limited to, coin-operated devices, is a retail sale and
10 is not considered a sale of property for resale.

11 (k) In the case of a lease, a retail sale occurs when an
12 obligation to make a lease payment becomes due under the terms
13 of the agreement or the trade practices of the lessor.

14 (l) In the case of a conditional sales contract, a retail
15 sale occurs upon the transfer of title or possession of the
16 tangible personal property.

17 **[EFFECTIVE DATE.]** This section is effective the day
18 following final enactment.

19 Sec. 8. Minnesota Statutes 2004, section 297A.64,
20 subdivision 4, is amended to read:

21 Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by
22 this section do not apply to a lease or rental of (1) a vehicle
23 to be used by the lessee to provide a licensed taxi service; (2)
24 a hearse or limousine used in connection with a burial or
25 funeral service; or (3) a van designed or adapted primarily for
26 transporting property rather than passengers. The tax and the
27 fee imposed under this section do not apply when the lease or
28 rental of a vehicle is exempt from the tax imposed under section
29 297A.62, subdivision 1.

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

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

1 following final enactment.

2 Sec. 9. Minnesota Statutes 2004, section 297A.668,
3 subdivision 1, is amended to read:

4 Subdivision 1. [APPLICABILITY.] The provisions of this
5 section apply regardless of the characterization of a product as
6 tangible personal property, a digital good, or a service; but do
7 not apply to telecommunications services, or the sales of motor
8 vehicles, ~~watercraft, aircraft, modular homes, manufactured~~
9 ~~homes, or mobile homes.~~ These provisions only apply to
10 determine a seller's obligation to pay or collect and remit a
11 sales or use tax with respect to the seller's sale of a
12 product. These provisions do not affect the obligation of a
13 seller as purchaser to remit tax on the use of the product.

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

16 Sec. 10. Minnesota Statutes 2004, section 297A.668,
17 subdivision 5, is amended to read:

18 Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale,
19 including lease or rental, of transportation equipment shall be
20 sourced the same as a retail sale in accordance with the
21 provisions of subdivision 2, notwithstanding the exclusion of
22 lease or rental in subdivision 2.

23 (b) "Transportation equipment" means any of the following:

24 (1) locomotives and railcars that are utilized for the
25 carriage of persons or property in interstate commerce; ~~and/or~~

26 (2) trucks and truck-tractors with a gross vehicle weight
27 rating (GVWR) of 10,001 pounds or greater, trailers,
28 semitrailers, or passenger buses that are:

29 (i) registered through the international registration plan;
30 and

31 (ii) operated under authority of a carrier authorized and
32 certified by the United States Department of Transportation or
33 another federal authority to engage in the carriage of persons
34 or property in interstate commerce;

35 (3) aircraft that are operated by air carriers authorized
36 and certificated by the United States Department of

1 Transportation or another federal or a foreign authority to
2 engage in the carriage of persons or property in interstate
3 commerce; or

4 (4) containers designed for use on and component parts
5 attached or secured on the transportation equipment described in
6 items (1) through (3).

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

9 Sec. 11. Minnesota Statutes 2004, section 297A.67,
10 subdivision 2, is amended to read:

11 Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise
12 provided in this subdivision, food and food ingredients are
13 exempt. For purposes of this subdivision, "food" and "food
14 ingredients" mean substances, whether in liquid, concentrated,
15 solid, frozen, dried, or dehydrated form, that are sold for
16 ingestion or chewing by humans and are consumed for their taste
17 or nutritional value. Food and food ingredients exempt under
18 this subdivision do not include candy, soft drinks, food sold
19 through vending machines, dietary supplements, and prepared
20 foods. Food and food ingredients do not include alcoholic
21 beverages, ~~dietary supplements,~~ and tobacco. For purposes of
22 this subdivision, "alcoholic beverages" means beverages that are
23 suitable for human consumption and contain one-half of one
24 percent or more of alcohol by volume. For purposes of this
25 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe
26 tobacco, or any other item that contains tobacco. For purposes
27 of this subdivision, "dietary supplements" means any product,
28 other than tobacco, intended to supplement the diet that:

29 (1) contains one or more of the following dietary
30 ingredients:

31 (i) a vitamin;

32 (ii) a mineral;

33 (iii) an herb or other botanical;

34 (iv) an amino acid;

35 (v) a dietary substance for use by humans to supplement the
36 diet by increasing the total dietary intake; and

1 (vi) a concentrate, metabolite, constituent, extract, or
2 combination of any ingredient described in items (i) to (v);

3 (2) is intended for ingestion in tablet, capsule, powder,
4 softgel, gelcap, or liquid form, or if not intended for
5 ingestion in such form, is not represented as conventional food
6 and is not represented for use as a sole item of a meal or of
7 the diet; and

8 (3) is required to be labeled as a dietary supplement,
9 identifiable by the supplement facts box found on the label and
10 as required pursuant to Code of Federal Regulations, title 21,
11 section 101.36.

12 [EFFECTIVE DATE.] This section is effective for sales made
13 on or after the day following final enactment.

14 Sec. 12. Minnesota Statutes 2004, section 297A.68,
15 subdivision 2, is amended to read:

16 Subd. 2. [MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]

17 (a) Materials stored, used, or consumed in industrial production
18 of personal property intended to be sold ultimately at retail
19 are exempt, whether or not the item so used becomes an
20 ingredient or constituent part of the property produced.

21 Materials that qualify for this exemption include, but are not
22 limited to, the following:

23 (1) chemicals, including chemicals used for cleaning food
24 processing machinery and equipment;

25 (2) materials, including chemicals, fuels, and electricity
26 purchased by persons engaged in industrial production to treat
27 waste generated as a result of the production process;

28 (3) fuels, electricity, gas, and steam used or consumed in
29 the production process, except that electricity, gas, or steam
30 used for space heating, cooling, or lighting is exempt if (i) it
31 is in excess of the average climate control or lighting for the
32 production area, and (ii) it is necessary to produce that
33 particular product;

34 (4) petroleum products and lubricants;

35 (5) packaging materials, including returnable containers
36 used in packaging food and beverage products;

1 (6) accessory tools, equipment, and other items that are
2 separate detachable units with an ordinary useful life of less
3 than 12 months used in producing a direct effect upon the
4 product; and

5 (7) the following materials, tools, and equipment used in
6 metalcasting: crucibles, thermocouple protection sheaths and
7 tubes, stalk tubes, refractory materials, molten metal filters
8 and filter boxes, degassing lances, and base blocks.

9 (b) This exemption does not include:

10 (1) machinery, equipment, implements, tools, accessories,
11 appliances, contrivances and furniture and fixtures, except
12 those listed in paragraph (a), clause (6); and

13 (2) petroleum and special fuels used in producing or
14 generating power for propelling ready-mixed concrete trucks on
15 the public highways of this state.

16 (c) Industrial production includes, but is not limited to,
17 research, development, design or production of any tangible
18 personal property, manufacturing, processing (other than by
19 restaurants and consumers) of agricultural products (whether
20 vegetable or animal), commercial fishing, refining, smelting,
21 reducing, brewing, distilling, printing, mining, quarrying,
22 lumbering, generating electricity, the production of road
23 building materials, and the research, development, design, or
24 production of computer software. Industrial production does not
25 include painting, cleaning, repairing or similar processing of
26 property except as part of the original manufacturing process.
27 Industrial production does not include the furnishing of
28 services listed in section 297A.61, subdivision 3, paragraph
29 (g), clause (6), items (i) to (vi) and (viii).

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

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

34 Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is
35 exempt. The tax must be imposed and collected as if the rate
36 under section 297A.62, subdivision 1, applied, and then refunded

1 in the manner provided in section 297A.75.

2 "Capital equipment" means machinery and equipment purchased
3 or leased, and used in this state by the purchaser or lessee
4 primarily for manufacturing, fabricating, mining, or refining
5 tangible personal property to be sold ultimately at retail if
6 the machinery and equipment are essential to the integrated
7 production process of manufacturing, fabricating, mining, or
8 refining. Capital equipment also includes machinery and
9 equipment used primarily to electronically transmit results
10 retrieved by a customer of an on-line computerized data
11 retrieval system.

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

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

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

17 (3) environmental control devices that are used to maintain
18 conditions such as temperature, humidity, light, or air pressure
19 when those conditions are essential to and are part of the
20 production process;

21 (4) materials and supplies used to construct and install
22 machinery or equipment;

23 (5) repair and replacement parts, including accessories,
24 whether purchased as spare parts, repair parts, or as upgrades
25 or modifications to machinery or equipment;

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

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

30 (8) ready-mixed concrete equipment in which the ready-mixed
31 concrete is mixed as part of the delivery process regardless if
32 mounted on a chassis, repair parts for ready-mixed concrete
33 trucks, and leases of ready-mixed concrete trucks; and

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

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

- 1 (1) motor vehicles taxed under chapter 297B;
- 2 (2) machinery or equipment used to receive or store raw
3 materials;
- 4 (3) building materials, except for materials included in
5 paragraph (b), clauses (6) and (7);
- 6 (4) machinery or equipment used for nonproduction purposes,
7 including, but not limited to, the following: plant security,
8 fire prevention, first aid, and hospital stations; support
9 operations or administration; pollution control; and plant
10 cleaning, disposal of scrap and waste, plant communications,
11 space heating, cooling, lighting, or safety;
- 12 (5) farm machinery and aquaculture production equipment as
13 defined by section 297A.61, subdivisions 12 and 13;
- 14 (6) machinery or equipment purchased and installed by a
15 contractor as part of an improvement to real property; or
- 16 (7) machinery and equipment used by restaurants in the
17 furnishing, preparing, or serving of prepared foods as defined
18 in section 297A.61, subdivision 31;
- 19 (8) machinery and equipment used to furnish the services
20 listed in section 297A.61, subdivision 3, paragraph (g), clause
21 (6), items (i) to (vi) and (viii); or
- 22 (9) any other item that is not essential to the integrated
23 process of manufacturing, fabricating, mining, or refining.
- 24 (d) For purposes of this subdivision:
- 25 (1) "Equipment" means independent devices or tools separate
26 from machinery but essential to an integrated production
27 process, including computers and computer software, used in
28 operating, controlling, or regulating machinery and equipment;
29 and any subunit or assembly comprising a component of any
30 machinery or accessory or attachment parts of machinery, such as
31 tools, dies, jigs, patterns, and molds.
- 32 (2) "Fabricating" means to make, build, create, produce, or
33 assemble components or property to work in a new or different
34 manner.
- 35 (3) "Integrated production process" means a process or
36 series of operations through which tangible personal property is

1 manufactured, fabricated, mined, or refined. For purposes of
2 this clause, (i) manufacturing begins with the removal of raw
3 materials from inventory and ends when the last process prior to
4 loading for shipment has been completed; (ii) fabricating begins
5 with the removal from storage or inventory of the property to be
6 assembled, processed, altered, or modified and ends with the
7 creation or production of the new or changed product; (iii)
8 mining begins with the removal of overburden from the site of
9 the ores, minerals, stone, peat deposit, or surface materials
10 and ends when the last process before stockpiling is completed;
11 and (iv) refining begins with the removal from inventory or
12 storage of a natural resource and ends with the conversion of
13 the item to its completed form.

14 (4) "Machinery" means mechanical, electronic, or electrical
15 devices, including computers and computer software, that are
16 purchased or constructed to be used for the activities set forth
17 in paragraph (a), beginning with the removal of raw materials
18 from inventory through completion of the product, including
19 packaging of the product.

20 (5) "Machinery and equipment used for pollution control"
21 means machinery and equipment used solely to eliminate, prevent,
22 or reduce pollution resulting from an activity described in
23 paragraph (a).

24 (6) "Manufacturing" means an operation or series of
25 operations where raw materials are changed in form, composition,
26 or condition by machinery and equipment and which results in the
27 production of a new article of tangible personal property. For
28 purposes of this subdivision, "manufacturing" includes the
29 generation of electricity or steam to be sold at retail.

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

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

35 (9) "Primarily" means machinery and equipment used 50
36 percent or more of the time in an activity described in

1 paragraph (a).

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

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 14. Minnesota Statutes 2004, section 297A.68,
8 subdivision 35, is amended to read:

9 Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a)

10 Telecommunications machinery and equipment purchased or leased
11 for use directly by a telecommunications service provider
12 primarily in the provision of telecommunications services that
13 are ultimately to be sold at retail are exempt, regardless of
14 whether purchased by the owner, a contractor, or a subcontractor.

15 (b) For purposes of this subdivision, "telecommunications
16 machinery and equipment" includes, but is not limited to:

17 (1) machinery, equipment, and fixtures utilized in
18 receiving, initiating, amplifying, processing, transmitting,
19 retransmitting, recording, switching, or monitoring
20 telecommunications services, such as computers, transformers,
21 amplifiers, routers, bridges, repeaters, multiplexers, and other
22 items performing comparable functions;

23 (2) machinery, equipment, and fixtures used in the
24 transportation of telecommunications services, radio
25 transmitters and receivers, satellite equipment, microwave
26 equipment, and other transporting media, but not wire, cable,
27 fiber, poles, or conduit;

28 (3) ancillary machinery, equipment, and fixtures that
29 regulate, control, protect, or enable the machinery in clauses
30 (1) and (2) to accomplish its intended function, such as
31 auxiliary power supply, test equipment, towers, heating,
32 ventilating, and air conditioning equipment necessary to the
33 operation of the telecommunications equipment; and software
34 necessary to the operation of the telecommunications equipment;
35 and

36 (4) repair and replacement parts, including accessories,

1 whether purchased as spare parts, repair parts, or as upgrades
2 or modifications to qualified machinery or equipment.

3 (c) For purposes of this subdivision, "telecommunications
4 services" means telecommunications services as defined in
5 section 297A.61, subdivision 24, ~~paragraph~~ paragraphs (a), ~~only~~
6 (c), and (d).

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

9 Sec. 15. Minnesota Statutes 2004, section 297A.68,
10 subdivision 39, is amended to read:

11 Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of
12 tangible personal property or services is exempt from tax or a
13 tax rate increase for a period of six months from the effective
14 date of the law change that results in the imposition of the tax
15 or the tax rate increase under this chapter if:

16 (1) the act imposing the tax or increasing the tax rate
17 does not have transitional effective date language for existing
18 construction contracts and construction bids; and

19 (2) the requirements of paragraph (b) are met.

20 (b) A sale is tax exempt under paragraph (a) if it meets
21 the requirements of either clause (1) or (2):

22 (1) For a construction contract:

23 (i) the goods or services sold must be used for the
24 performance of a bona fide written lump sum or fixed price
25 construction contract;

26 (ii) the contract must be entered into before the date the
27 goods or services become subject to the sales tax or the tax
28 rate was increased;

29 (iii) the contract must not provide for allocation of
30 future taxes; and

31 (iv) for each qualifying contract the contractor must give
32 the seller documentation of the contract on which an exemption
33 is to be claimed.

34 (2) For a construction bid:

35 (i) the goods or services sold must be used pursuant to an
36 obligation of a bid or bids;

1 (ii) the bid or bids must be submitted and accepted before
2 the date the goods or services became subject to the sales
3 tax or the tax rate was increased;

4 (iii) the bid or bids must not be able to be withdrawn,
5 modified, or changed without forfeiting a bond; and

6 (iv) for each qualifying bid, the contractor must give the
7 seller documentation of the bid on which an exemption is to be
8 claimed.

9 [EFFECTIVE DATE.] This section is effective the day
10 following final enactment.

11 Sec. 16. Minnesota Statutes 2004, section 297A.99,
12 subdivision 4, is amended to read:

13 Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable
14 under this chapter that occur within the political subdivision.

15 (b) Taxable goods or services are subject to a political
16 subdivision's sales tax, if they are ~~performed-either+~~

17 ~~(1)-within-the-political-subdivision,-or~~

18 ~~(2)-partly-within-and-partly-without-the-political~~

19 ~~subdivision-and-more-of-the-service-is-performed-within-the~~

20 ~~political-subdivision,-based-on-the-cost-of-performance~~ sourced

21 to the political subdivision pursuant to section 297A.668.

22 [EFFECTIVE DATE.] This section is effective for sales made
23 on or after January 1, 2004.

24 Sec. 17. Minnesota Statutes 2004, section 297A.99,
25 subdivision 7, is amended to read:

26 Subd. 7. [EXEMPTIONS.] (a) All goods or services that are
27 otherwise exempt from taxation under this chapter are exempt
28 from a political subdivision's tax.

29 (b) The gross receipts from the sale of tangible personal
30 property that meets the ~~requirement~~ requirements of section
31 297A.68, ~~subdivision~~ subdivisions 11, 15, and 16 are exempt,
32 except the qualification test applies based on the boundaries of
33 the political subdivision instead of the state of Minnesota.

34 (c) All mobile transportation equipment, and parts and
35 accessories attached to or to be attached to the equipment are
36 exempt, if purchased by a holder of a motor carrier direct pay

1 permit under section 297A.90.

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

4 Sec. 18. [REPEALER.]

5 Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200,
6 subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5
7 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1
8 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200;
9 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart
10 5; and 8130.8800, subpart 4, are repealed.

11 [EFFECTIVE DATE.] This section is effective the day
12 following final enactment.

13 ARTICLE 12

14 DEPARTMENT OF REVENUE

15 SPECIAL TAXES

16 Section 1. Minnesota Statutes 2004, section 287.04, is
17 amended to read:

18 287.04 [EXEMPTIONS.]

19 The tax imposed by section 287.035 does not apply to:

20 (a) A decree of marriage dissolution or an instrument made
21 pursuant to it.

22 (b) A mortgage given to correct a misdescription of the
23 mortgaged property.

24 (c) A mortgage or other instrument that adds additional
25 security for the same debt for which mortgage registry tax has
26 been paid.

27 (d) A contract for the conveyance of any interest in real
28 property, including a contract for deed.

29 (e) A mortgage secured by real property subject to the
30 minerals production tax of sections 298.24 to 298.28.

31 (f) The principal amount of a mortgage loan made under a
32 low and moderate income or other affordable housing program, if
33 the mortgagee is a federal, state, or local government agency.

34 (g) Mortgages granted by fraternal benefit societies
35 subject to section 64B.24.

36 (h) A mortgage amendment or extension, as defined in

1 section 287.01.

2 (i) An agricultural mortgage if the proceeds of the loan
3 secured by the mortgage are used to acquire or improve real
4 property classified under section 273.13, subdivision 23,
5 paragraph (a), or (b), clause (1), (2), or (3).

6 (j) A mortgage on an armory building as set forth in
7 section 193.147.

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

10 Sec. 2. Minnesota Statutes 2004, section 295.50, is
11 amended by adding a subdivision to read:

12 Subd. 1a. [BLOOD COMPONENTS.] "Blood components" means the
13 parts of the blood that are separated from blood by physical or
14 mechanical means and are intended for transfusion. Blood
15 components do not include blood derivatives.

16 [EFFECTIVE DATE.] This section is effective for gross
17 revenues received after December 31, 2004.

18 Sec. 3. Minnesota Statutes 2004, section 295.50,
19 subdivision 3, is amended to read:

20 Subd. 3. [GROSS REVENUES.] "Gross revenues" are total
21 amounts received in money or otherwise by:

22 (1) a hospital for patient services;
23 (2) a surgical center for patient services;
24 (3) a health care provider, other than a staff model health
25 carrier, for patient services;

26 (4) a wholesale drug distributor for sale or distribution
27 of legend drugs that are delivered in Minnesota by the wholesale
28 drug distributor, by common carrier, or by mail, unless the
29 legend drugs are delivered to another wholesale drug distributor
30 who sells legend drugs exclusively at wholesale. Legend drugs
31 do not include nutritional products as defined in Minnesota
32 Rules, part 9505.0325, and blood and blood components; and

33 (5) a staff model health plan company as gross premiums for
34 enrollees, co-payments, deductibles, coinsurance, and fees for
35 patient services.

36 [EFFECTIVE DATE.] This section is effective for gross

1 revenues received after December 31, 2004.

2 Sec. 4. Minnesota Statutes 2004, section 295.53,
3 subdivision 1, is amended to read:

4 Subdivision 1. [EXEMPTIONS.] (a) The following payments
5 are excluded from the gross revenues subject to the hospital,
6 surgical center, or health care provider taxes under sections
7 295.50 to 295.59:

8 (1) payments received for services provided under the
9 Medicare program, including payments received from the
10 government, and organizations governed by sections 1833 and 1876
11 of title XVIII of the federal Social Security Act, United States
12 Code, title 42, section 1395, and enrollee deductibles,
13 coinsurance, and co-payments, whether paid by the Medicare
14 enrollee or by a Medicare supplemental coverage as defined in
15 section 62A.011, subdivision 3, clause (10), or by Medicaid
16 payments under title XIX of the federal Social Security Act.
17 Payments for services not covered by Medicare are taxable;

18 (2) payments received for home health care services;

19 (3) payments received from hospitals or surgical centers
20 for goods and services on which liability for tax is imposed
21 under section 295.52 or the source of funds for the payment is
22 exempt under clause (1), (7), (10), or (14);

23 (4) payments received from health care providers for goods
24 and services on which liability for tax is imposed under this
25 chapter or the source of funds for the payment is exempt under
26 clause (1), (7), (10), or (14);

27 (5) amounts paid for legend drugs, other than nutritional
28 products and blood and blood components, to a wholesale drug
29 distributor who is subject to tax under section 295.52,
30 subdivision 3, reduced by reimbursements received for legend
31 drugs otherwise exempt under this chapter;

32 (6) payments received by a health care provider or the
33 wholly owned subsidiary of a health care provider for care
34 provided outside Minnesota;

35 (7) payments received from the chemical dependency fund
36 under chapter 254B;

1 (8) payments received in the nature of charitable donations
2 that are not designated for providing patient services to a
3 specific individual or group;

4 (9) payments received for providing patient services
5 incurred through a formal program of health care research
6 conducted in conformity with federal regulations governing
7 research on human subjects. Payments received from patients or
8 from other persons paying on behalf of the patients are subject
9 to tax;

10 (10) payments received from any governmental agency for
11 services benefiting the public, not including payments made by
12 the government in its capacity as an employer or insurer or
13 payments made by the government for services provided under
14 general assistance medical care, the MinnesotaCare program, or
15 the medical assistance program governed by title XIX of the
16 federal Social Security Act, United States Code, title 42,
17 sections 1396 to 1396v;

18 (11) government payments received by the commissioner of
19 human services for state-operated services;

20 (12) payments received by a health care provider for
21 hearing aids and related equipment or prescription eyewear
22 delivered outside of Minnesota;

23 (13) payments received by an educational institution from
24 student tuition, student activity fees, health care service
25 fees, government appropriations, donations, or grants, and for
26 services identified in and provided under an individualized
27 education plan as defined in section 256B.0625 or Code of
28 Federal Regulations, chapter 34, section 300.340(a). Fee for
29 service payments and payments for extended coverage are taxable;
30 and

31 (14) payments received under the federal Employees Health
32 Benefits Act, United States Code, title 5, section 8909(f), as
33 amended by the Omnibus Reconciliation Act of 1990. Enrollee
34 deductibles, coinsurance, and co-payments are subject to tax.

35 (b) Payments received by wholesale drug distributors for
36 legend drugs sold directly to veterinarians or veterinary bulk

1 purchasing organizations are excluded from the gross revenues
2 subject to the wholesale drug distributor tax under sections
3 295.50 to 295.59.

4 [EFFECTIVE DATE.] The change made to paragraph (a), clause
5 (5), of this section is effective for amounts paid for blood and
6 blood components after December 31, 2004. The change made to
7 paragraph (a), clause (14), of this section is effective for
8 enrollee deductibles, coinsurance, and co-payments received
9 under the federal Employees Health Benefits Act on or after the
10 day following final enactment.

11 Sec. 5. Minnesota Statutes 2004, section 295.60,
12 subdivision 3, is amended to read:

13 Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated
14 payments of the taxes for the calendar year in quarterly
15 installments to the commissioner by April 15, July 15, October
16 15, and January 15 of the following calendar year.

17 (b) Estimated tax payments are not required if:

18 (1) the tax for the current calendar year is less than
19 \$500; or

20 (2) the tax for the previous calendar year is less than
21 \$500, if the taxpayer had a tax liability and was doing business
22 the entire year.

23 (c) Underpayment of estimated installments bear interest at
24 the rate specified in section 270.75, from the due date of the
25 payment until paid or until the due date of the annual return,
26 whichever comes first. An underpayment of an estimated
27 installment is the difference between the amount paid and the
28 lesser of (1) ~~90-percent-of-one-quarter-of-the-tax-for-the~~
29 ~~calendar-year~~ the tax for the actual gross revenues received
30 during the quarter, or (2) one-quarter of the total tax for the
31 previous calendar year if the taxpayer had a tax liability and
32 was doing business the entire year.

33 [EFFECTIVE DATE.] This section is effective for gross
34 revenues received after December 31, 2005.

35 Sec. 6. Minnesota Statutes 2004, section 296A.09, is
36 amended by adding a subdivision to read:

1 Subd. 6. [EXEMPTIONS.] The provisions of subdivisions 1
2 and 2 do not apply to aviation gasoline or jet fuel purchased by
3 an ambulance service licensed under chapter 144E.

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

6 Sec. 7. Minnesota Statutes 2004, section 296A.22, is
7 amended by adding a subdivision to read:

8 Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may
9 by written order abate any penalty imposed under this section,
10 if in the commissioner's opinion there is reasonable cause to do
11 so.

12 (b) A request for abatement of penalty must be filed with
13 the commissioner within 60 days of the date the notice stating
14 that a penalty has been imposed was mailed to the taxpayer's
15 last known address.

16 (c) If the commissioner issues an order denying a request
17 for abatement of penalty, the taxpayer may file an
18 administrative appeal as provided in section 296A.25 or appeal
19 to Tax Court as provided in section 271.06. If the commissioner
20 does not issue an order on the abatement request within 60 days
21 from the date the request is received, the taxpayer may appeal
22 to Tax Court as provided in section 271.06.

23 [EFFECTIVE DATE.] This section is effective for penalties
24 imposed on or after the day following final enactment.

25 Sec. 8. Minnesota Statutes 2004, section 297E.01,
26 subdivision 5, is amended to read:

27 Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor
28 as defined in section 349.12, subdivision 11, or a person or
29 linked bingo game provider who markets, sells, or provides
30 gambling product to a person or entity for resale or use at the
31 retail level.

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

34 Sec. 9. Minnesota Statutes 2004, section 297E.01,
35 subdivision 7, is amended to read:

36 Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means

1 bingo hard cards, bingo paper, ~~er~~ sheets, or linked bingo paper
2 sheets; pull-tabs; tipboards; paddletickets and paddleticket
3 cards; raffle tickets; or any other ticket, card, board,
4 placard, device, or token that represents a chance, for which
5 consideration is paid, to win a prize.

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

8 Sec. 10. Minnesota Statutes 2004, section 297E.01, is
9 amended by adding a subdivision to read:

10 Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a
11 bingo game played at two or more locations where licensed
12 organizations are authorized to conduct bingo, when there is a
13 common prize pool and a common selection of numbers or symbols
14 conducted at one location, and when the results of the selection
15 are transmitted to all participating locations by satellite,
16 telephone, or other means by a linked bingo game provider.

17 [EFFECTIVE DATE.] This section is effective the day
18 following final enactment.

19 Sec. 11. Minnesota Statutes 2004, section 297E.01, is
20 amended by adding a subdivision to read:

21 Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game
22 provider" means any person who provides the means to link bingo
23 prizes in a linked bingo game, who provides linked bingo paper
24 sheets to the participating organizations, who provides linked
25 bingo prize management, and who provides the linked bingo game
26 system.

27 [EFFECTIVE DATE.] This section is effective the day
28 following final enactment.

29 Sec. 12. Minnesota Statutes 2004, section 297E.06,
30 subdivision 2, is amended to read:

31 Subd. 2. [BUSINESS RECORDS.] An organization shall
32 maintain records supporting the gambling activity reported to
33 the commissioner. Records include, but are not limited to, the
34 following items:

35 (1) all winning and unsold tickets, cards, or stubs for
36 pull-tab, tipboard, paddlewheel, and raffle games;

- 1 (2) all reports and statements, including checker's
2 records, for each bingo occasion;
- 3 (3) all cash journals and ledgers, deposit slips, register
4 tapes, and bank statements supporting gambling activity
5 receipts;
- 6 (4) all invoices that represent purchases of gambling
7 product;
- 8 (5) all canceled checks or copies of substitute checks as
9 defined in Public Law 108-100, section 3, check recorders,
10 journals and ledgers, vouchers, invoices, bank statements, and
11 other documents supporting gambling activity expenditures; and
- 12 (6) all organizational meeting minutes.

13 All records required to be kept by this section must be
14 preserved by the organization for at least 3-1/2 years and may
15 be inspected by the commissioner of revenue at any reasonable
16 time without notice or a search warrant.

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

18 Sec. 13. Minnesota Statutes 2004, section 297E.07, is
19 amended to read:

20 297E.07 [INSPECTION RIGHTS.]

21 At any reasonable time, without notice and without a search
22 warrant, the commissioner may enter a place of business of a
23 manufacturer, distributor, ~~or~~ organization, or linked bingo game
24 provider; any site from which pull-tabs or tipboards or other
25 gambling equipment or gambling product are being manufactured,
26 stored, or sold; or any site at which lawful gambling is being
27 conducted, and inspect the premises, books, records, and other
28 documents required to be kept under this chapter to determine
29 whether or not this chapter is being fully complied with. If
30 the commissioner is denied free access to or is hindered or
31 interfered with in making an inspection of the place of
32 business, books, or records, the permit of the distributor may
33 be revoked by the commissioner, and the license of the
34 manufacturer, the distributor, ~~or~~ the organization, or linked
35 bingo game provider may be revoked by the board.

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

1 following final enactment.

2 Sec. 14. Minnesota Statutes 2004, section 297F.08,
3 subdivision 12, is amended to read:

4 Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A
5 person may not transport or cause to be transported from this
6 state cigarettes for sale in another state without first
7 affixing to the cigarettes the stamp required by the state in
8 which the cigarettes are to be sold or paying any other excise
9 tax on the cigarettes imposed by the state in which the
10 cigarettes are to be sold.

11 (b) A person may not affix to cigarettes the stamp required
12 by another state or pay any other excise tax on the cigarettes
13 imposed by another state if the other state prohibits stamps
14 from being affixed to the cigarettes, prohibits the payment of
15 any other excise tax on the cigarettes, or prohibits the sale of
16 the cigarettes.

17 (c) Not later than 15 days after the end of each calendar
18 quarter, a person who transports or causes to be transported
19 from this state cigarettes for sale in another state shall
20 submit to the commissioner a report identifying the quantity and
21 style of each brand of the cigarettes transported or caused to
22 be transported in the preceding calendar quarter, and the name
23 and address of each recipient of the cigarettes. This reporting
24 requirement only applies to cigarettes manufactured by companies
25 that are not original or subsequent participating manufacturers
26 in the Master Settlement Agreement with other states.

27 (d) For purposes of this section, "person" has the meaning
28 given in section 297F.01, subdivision 12. Person does not
29 include any common or contract carrier, or public warehouse that
30 is not owned, in whole or in part, directly or indirectly by
31 such person, and does not include a manufacturer that ~~has~~
32 entered-into is an original or subsequent participating
33 manufacturer in the Master Settlement Agreement with other
34 states.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 15. Minnesota Statutes 2004, section 297F.08, is
2 amended by adding a subdivision to read:

3 Subd. 12. [BOND.] The commissioner may require the
4 furnishing of a corporate surety bond or a certified check in an
5 amount suitable to guarantee payment of the tax stamps purchased
6 by a distributor. The bond or certified check may be required
7 when the commissioner determines that a distributor is (1)
8 delinquent in the filing of any return required under this
9 chapter, or (2) delinquent in the payment of any uncontested tax
10 liability under this chapter. The distributor shall furnish the
11 bond or certified check for a period of two years, after which,
12 if the distributor has not been delinquent in the filing of any
13 returns required under this chapter, or delinquent in the paying
14 of any tax under this chapter, a bond or certified check is no
15 longer required. The commissioner at any time may apply the
16 bond or certified check to any unpaid taxes or fees, including
17 interest and penalties, owed to the department by the
18 distributor.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 16. Minnesota Statutes 2004, section 297F.09,
22 subdivision 1, is amended to read:

23 Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On
24 or before the 18th day of each calendar month, a distributor
25 with a place of business in this state shall file a return with
26 the commissioner showing the quantity of cigarettes manufactured
27 or brought in from outside the state or purchased during the
28 preceding calendar month and the quantity of cigarettes sold or
29 otherwise disposed of in this state and outside this state
30 during that month. A licensed distributor outside this state
31 shall in like manner file a return showing the quantity of
32 cigarettes shipped or transported into this state during the
33 preceding calendar month. Returns must be made in the form and
34 manner prescribed by the commissioner and must contain any other
35 information required by the commissioner. The return must be
36 accompanied by a remittance for the full unpaid tax liability

1 shown by it. ~~The return for the May liability and 85 percent of~~
2 ~~the estimated June liability is due on the date payment of the~~
3 ~~tax is due.~~ For distributors subject to the accelerated tax
4 payment requirements in subdivision 10, the return for the May
5 liability is due two business days before June 30th of the year
6 and the return for the June liability is due on or before August
7 18th of the year.

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

10 Sec. 17. Minnesota Statutes 2004, section 297F.09,
11 subdivision 2, is amended to read:

12 Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.]

13 On or before the 18th day of each calendar month, a distributor
14 with a place of business in this state shall file a return with
15 the commissioner showing the quantity and wholesale sales price
16 of each tobacco product:

17 (1) brought, or caused to be brought, into this state for
18 sale; and

19 (2) made, manufactured, or fabricated in this state for
20 sale in this state, during the preceding calendar month.

21 Every licensed distributor outside this state shall in like
22 manner file a return showing the quantity and wholesale sales
23 price of each tobacco product shipped or transported to
24 retailers in this state to be sold by those retailers, during
25 the preceding calendar month. Returns must be made in the form
26 and manner prescribed by the commissioner and must contain any
27 other information required by the commissioner. The return must
28 be accompanied by a remittance for the full tax liability
29 shown. ~~The return for the May liability and 85 percent of the~~
30 ~~estimated June liability is due on the date payment of the tax~~
31 ~~is due.~~ For distributors subject to the accelerated tax payment
32 requirements in subdivision 10, the return for the May liability
33 is due two business days before June 30th of the year and the
34 return for the June liability is due on or before August 18th of
35 the year.

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

1 following final enactment.

2 Sec. 18. Minnesota Statutes 2004, section 297G.09, is
3 amended by adding a subdivision to read:

4 Subd. 9. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a)
5 If a manufacturer, wholesaler, brewer, or importer has an
6 average liquor tax liability equal to or less than \$500 per
7 month in any quarter of a calendar year, and has substantially
8 complied with the state tax laws during the preceding four
9 calendar quarters, the manufacturer, wholesaler, brewer, or
10 importer may request authorization to file and pay the taxes
11 quarterly in subsequent calendar quarters. The authorization
12 remains in effect during the period in which the manufacturer's,
13 wholesaler's, brewer's, or importer's quarterly returns reflect
14 liquor tax liabilities of less than \$1,500 and there is
15 continued compliance with state tax laws.

16 (b) If a manufacturer, wholesaler, brewer, or importer has
17 an average liquor tax liability equal to or less than \$100 per
18 month during a calendar year, and has substantially complied
19 with the state tax laws during that period, the manufacturer,
20 wholesaler, brewer, or importer may request authorization to
21 file and pay the taxes annually in subsequent years. The
22 authorization remains in effect during the period in which the
23 manufacturer's, wholesaler's, brewer's, or importer's annual
24 returns reflect liquor tax liabilities of less than \$1,200 and
25 there is continued compliance with state tax laws.

26 (c) The commissioner may also grant quarterly or annual
27 filing and payment authorizations to manufacturers, wholesalers,
28 brewers, or importers if the commissioner concludes that the
29 manufacturer's, wholesaler's, brewer's, or importer's future tax
30 liabilities will be less than the monthly totals identified in
31 paragraphs (a) and (b). An authorization granted under this
32 paragraph is subject to the same conditions as an authorization
33 granted under paragraphs (a) and (b).

34 (d) The annual tax return and payments must be filed and
35 paid on or before the 18th day of January following the calendar
36 year. The quarterly returns and payments must be filed and paid

1 on or before April 18 for the quarter ending March 31, on or
2 before July 18 for the quarter ending June 30, on or before
3 October 18 for the quarter ending September 30, and on or before
4 January 18 for the quarter ending December 31.

5 [EFFECTIVE DATE.] This section is effective for tax returns
6 and payments due on or after January 1, 2006.

7 Sec. 19. Minnesota Statutes 2004, section 297I.01, is
8 amended by adding a subdivision to read:

9 Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance
10 whereby an insurance company, for a consideration, agrees to
11 indemnify another insurance company against all or part of the
12 loss which the latter may sustain under the policy or policies
13 which it has issued.

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

16 Sec. 20. Minnesota Statutes 2004, section 297I.05,
17 subdivision 5, is amended to read:

18 Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT
19 HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED
20 SERVICE NETWORKS.] (a) ~~Health-maintenance-organizations,~~
21 ~~community-integrated-service-networks,-and-nonprofit-health-care~~
22 ~~service-plan-corporations-are-exempt-from-the-tax-imposed-under~~
23 ~~this-section-for-premiums-received-in-calendar-years-2001-to~~
24 ~~2003-~~

25 ~~(b)-For-calendar-years-after-2003,~~ A tax is imposed on
26 health maintenance organizations, community integrated service
27 networks, and nonprofit health care service plan corporations.
28 The rate of tax is equal to one percent of gross premiums less
29 return premiums on all direct business received by the
30 organization, network, or corporation or its agents in
31 Minnesota, in cash or otherwise, in the calendar year.

32 ~~(c)-In-approving-the-premium-rates-as-required-in-sections~~
33 ~~62B-08,-subdivision-8,-and-62A-65,-subdivision-3,-the~~
34 ~~commissioners-of-health-and-commerce-shall-ensure-that-any~~
35 ~~exemption-from-tax-as-described-in-paragraph-(a)-is-reflected-in~~
36 ~~the-premium-rate-~~

1 WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND
2 WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.]

3 (a) A tax required to be deducted and withheld during the
4 quarterly period must be paid on or before the last day of the
5 month following the close of the quarterly period, unless an
6 earlier time for payment is provided. A tax required to be
7 deducted and withheld from compensation of an entertainer and
8 from a payment to an out-of-state contractor must be paid on or
9 before the date the return for such tax must be filed under
10 section 289A.18, subdivision 2. Taxes required to be deducted
11 and withheld by partnerships and S corporations must be paid on
12 or before the date the return must be filed under section
13 289A.18, subdivision 2.

14 (b) An employer who, during the previous quarter, withheld
15 more than \$1,500 of tax under section 290.92, subdivision 2a or
16 3, or 290.923, subdivision 2, must deposit tax withheld under
17 those sections with the commissioner within the time allowed to
18 deposit the employer's federal withheld employment taxes under
19 Code of Federal Regulations, title 26, section 31.6302-1, as
20 amended through December 31, 2001, without regard to the safe
21 harbor or de minimis rules in subparagraph (f) or the one-day
22 rule in subsection (c), clause (3). Taxpayers must submit a
23 copy of their federal notice of deposit status to the
24 commissioner upon request by the commissioner.

25 (c) The commissioner may prescribe by rule other return
26 periods or deposit requirements. In prescribing the reporting
27 period, the commissioner may classify payors according to the
28 amount of their tax liability and may adopt an appropriate
29 reporting period for the class that the commissioner judges to
30 be consistent with efficient tax collection. In no event will
31 the duration of the reporting period be more than one year.

32 (d) If less than the correct amount of tax is paid to the
33 commissioner, proper adjustments with respect to both the tax
34 and the amount to be deducted must be made, without interest, in
35 the manner and at the times the commissioner prescribes. If the
36 underpayment cannot be adjusted, the amount of the underpayment

1 will be assessed and collected in the manner and at the times
2 the commissioner prescribes.

3 ~~(e) If the aggregate amount of the tax withheld during a~~
4 ~~fiscal year ending June 30 under section 290.92, subdivision 2a~~
5 ~~or 3, is equal to or exceeds the amounts established for~~
6 ~~remitting federal withheld taxes pursuant to the regulations~~
7 ~~promulgated under section 6302(h) of the Internal Revenue Code,~~
8 ~~the employer must remit each required deposit for wages paid in~~
9 ~~the subsequent calendar year by electronic means.~~

10 {f} A third-party bulk filer as defined in section 290.92,
11 subdivision 30, paragraph (a), clause (2), who remits
12 withholding deposits must remit all deposits by electronic means
13 as provided in paragraph (e), regardless of the aggregate amount
14 of tax withheld during a fiscal year for all of the employers.

15 Sec. 3. Minnesota Statutes 2004, section 289A.20,
16 subdivision 4, is amended to read:

17 Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by
18 chapter 297A are due and payable to the commissioner monthly on
19 or before the 20th day of the month following the month in which
20 the taxable event occurred, or following another reporting
21 period as the commissioner prescribes or as allowed under
22 section 289A.18, subdivision 4, paragraph (f) or (g), except
23 that use taxes due on an annual use tax return as provided under
24 section 289A.11, subdivision 1, are payable by April 15
25 following the close of the calendar year.

26 (b) A vendor having a liability of \$120,000 or more during
27 a fiscal year ending June 30 must remit the June liability for
28 the next year in the following manner:

29 (1) Two business days before June 30 of the year, the
30 vendor must remit 85 percent of the estimated June liability to
31 the commissioner.

32 (2) On or before August 20 of the year, the vendor must pay
33 any additional amount of tax not remitted in June.

34 ~~(c) A vendor having a liability of \$120,000 or more during~~
35 ~~a fiscal year ending June 30 must remit all liabilities on~~
36 ~~returns due for periods beginning in the subsequent calendar~~

~~1 year-by-electronic-means-on-or-before-the-20th-day-of-the-month
2 following-the-month-in-which-the-taxable-event-occurred, or on
3 or-before-the-20th-day-of-the-month-following-the-month-in-which
4 the-sale-is-reported-under-section-289A.18,--subdivision-4,
5 except-for-85-percent-of-the-estimated-June-liability,--which-is
6 due-two-business-days-before-June-30.---The-remaining-amount-of
7 the-June-liability-is-due-on-August-20.~~

8 Sec. 4. Minnesota Statutes 2004, section 297E.02,
9 subdivision 4, is amended to read:

10 Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed
11 on the sale of each deal of pull-tabs and tipboards sold by a
12 distributor. The rate of the tax is 1.7 percent of the ideal
13 gross of the pull-tab or tipboard deal. The sales tax imposed
14 by chapter 297A on the sale of the pull-tabs and tipboards by
15 the distributor is imposed on the retail sales price less the
16 tax imposed by this subdivision. The retail sale of pull-tabs
17 or tipboards by the organization is exempt from taxes imposed by
18 chapter 297A and is exempt from all local taxes and license fees
19 except a fee authorized under section 349.16, subdivision 8.

20 (b) The liability for the tax imposed by this section is
21 incurred when the pull-tabs and tipboards are delivered by the
22 distributor to the customer or to a common or contract carrier
23 for delivery to the customer, or when received by the customer's
24 authorized representative at the distributor's place of
25 business, regardless of the distributor's method of accounting
26 or the terms of the sale.

27 The tax imposed by this subdivision is imposed on all sales
28 of pull-tabs and tipboards, except the following:

29 (1) sales to the governing body of an Indian tribal
30 organization for use on an Indian reservation;

31 (2) sales to distributors licensed under the laws of
32 another state or of a province of Canada, as long as all
33 statutory and regulatory requirements are met in the other state
34 or province;

35 (3) sales of promotional tickets as defined in section
36 349.12; and

1 (4) pull-tabs and tipboards sold to an organization that
2 sells pull-tabs and tipboards under the exemption from licensing
3 in section 349.166, subdivision 2. A distributor shall require
4 an organization conducting exempt gambling to show proof of its
5 exempt status before making a tax-exempt sale of pull-tabs or
6 tipboards to the organization. A distributor shall identify, on
7 all reports submitted to the commissioner, all sales of
8 pull-tabs and tipboards that are exempt from tax under this
9 subdivision.

10 ~~(c) A distributor having a liability of \$120,000 or more~~
11 ~~during a fiscal year ending June 30 must remit all liabilities~~
12 ~~in the subsequent calendar year by electronic means.~~

13 (d) Any customer who purchases deals of pull-tabs or
14 tipboards from a distributor may file an annual claim for a
15 refund or credit of taxes paid pursuant to this subdivision for
16 unsold pull-tab and tipboard tickets. The claim must be filed
17 with the commissioner on a form prescribed by the commissioner
18 by March 20 of the year following the calendar year for which
19 the refund is claimed. The refund must be filed as part of the
20 customer's February monthly return. The refund or credit is
21 equal to 1.7 percent of the face value of the unsold pull-tab or
22 tipboard tickets, provided that the refund or credit will be
23 1.75 percent of the face value of the unsold pull-tab or
24 tipboard tickets for claims for a refund or credit of taxes
25 filed on the February 2001 monthly return. The refund claimed
26 will be applied as a credit against tax owing under this chapter
27 on the February monthly return. If the refund claimed exceeds
28 the tax owing on the February monthly return, that amount will
29 be refunded. The amount refunded will bear interest pursuant to
30 section 270.76 from 90 days after the claim is filed.

31 Sec. 5. Minnesota Statutes 2004, section 473.843,
32 subdivision 3, is amended to read:

33 Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of
34 each month each operator shall pay the fee due under this
35 section for the previous month, using a form provided by the
36 commissioner of revenue.

1 ~~An operator having a fee of \$120,000 or more during a~~
2 ~~fiscal year ending June 30 must pay all fees in the subsequent~~
3 ~~calendar year by electronic means.~~

4 Sec. 6. [REPEALER.]

5 Minnesota Statutes 2004, sections 289A.26, subdivision 2a;
6 289A.60, subdivision 21; 295.55, subdivision 4; 295.60,
7 subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6;
8 297I.35, subdivision 2; and 297I.85, subdivision 7, are repealed.

9 Sec. 7. [EFFECTIVE DATE.]

10 This article is effective for payments due in calendar year
11 2006, and in calendar years thereafter, based upon liabilities
12 incurred in the fiscal year ending June 30, 2005, and in fiscal
13 years thereafter.

14 ARTICLE 14

15 MISCELLANEOUS

16 Section 1. Minnesota Statutes 2004, section 15.06,
17 subdivision 6, is amended to read:

18 Subd. 6. [GENERAL POWERS OF COMMISSIONERS.] Except as
19 otherwise expressly provided by law, a commissioner shall have
20 the following powers:

21 (1) to delegate to any subordinate employee the exercise of
22 specified statutory powers or duties as the commissioner may
23 deem advisable, subject to the commissioner's control; provided,
24 that every delegation shall be made by written order, filed with
25 the secretary of state; and further provided that only a deputy
26 commissioner may have all the powers or duties of the
27 commissioner. A commissioner who delegates the exercise of
28 identical powers or duties to ten or more subordinate employees,
29 may combine the delegation to these employees in one written
30 order. A delegation of authority granted by a commissioner
31 remains in effect until revoked by the commissioner, revoked by
32 a successor commissioner, or termination of the employees'
33 employment. A successor commissioner may continue to grant the
34 same delegations of authority that were granted by a previous
35 commissioner, by issuing a written order that is filed with the
36 secretary of state and lists the names of the subordinate

1 employees that have orders of delegations of authority, the date
2 the order was signed, and the date the order was filed with the
3 secretary of state;

4 (2) to appoint all subordinate employees and to prescribe
5 their duties; provided, that all departments and agencies shall
6 be subject to the provisions of chapter 43A;

7 (3) with the approval of the commissioner of
8 administration, to organize the department or agency as deemed
9 advisable in the interest of economy and efficiency; and

10 (4) to prescribe procedures for the internal management of
11 the department or agency to the extent that the procedures do
12 not directly affect the rights of or procedure available to the
13 public.

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

16 Sec. 2. Minnesota Statutes 2004, section 16D.10, is
17 amended to read:

18 16D.10 [CASE REVIEWER.]

19 Subdivision 1. [DUTIES.] The commissioner shall make a
20 case reviewer available to debtors. The reviewer must be
21 available to answer a debtor's questions concerning the
22 collection process and to review the collection activity taken.
23 If the reviewer reasonably believes that the particular action
24 being taken is unreasonable or unfair, the reviewer may make
25 recommendations to the commissioner in regard to the collection
26 action.

27 Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On
28 application filed by a debtor with the case reviewer, in the
29 form, manner, and in the time prescribed by the commissioner,
30 and after thorough investigation, the case reviewer may issue a
31 debtor assistance order if, in the determination of the case
32 reviewer, the manner in which the state debt collection laws are
33 being administered is creating or will create an unjust and
34 inequitable result for the debtor. Debtor assistance orders are
35 governed by the provisions relating to taxpayer assistance
36 orders under section 270.273.

1 Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.]
2 All duties and authority of the case reviewer under subdivisions
3 1 and 2 are transferred to the taxpayer rights advocate.

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

6 Sec. 3. Minnesota Statutes 2004, section 270.65, is
7 amended to read:

8 270.65 [DATE OF ASSESSMENT; DEFINITION.]

9 For purposes of taxes administered by the commissioner, the
10 term "date of assessment" means the date a liability reported on
11 a return was entered into the records of the commissioner or the
12 date a return should have been filed, whichever is later; or, in
13 the case of taxes determined by the commissioner, "date of
14 assessment" means the date of the order assessing taxes or date
15 of the return made by the commissioner; or, in the case of an
16 amended return filed by the taxpayer, the assessment date is the
17 date additional liability reported on the return, if any, was
18 entered into the records of the commissioner; or, in the case of
19 a consent agreement signed by the taxpayer under section 270.67,
20 subdivision 3, the assessment date is the notice date shown on
21 the agreement; or, in the case of a check from a taxpayer that
22 is dishonored and results in an erroneous refund being given to
23 the taxpayer, remittance of the check is deemed to be an
24 assessment and the "date of assessment" is the date the check
25 was received by the commissioner.

26 [EFFECTIVE DATE.] This section is effective the day
27 following final enactment.

28 Sec. 4. Minnesota Statutes 2004, section 270.67,
29 subdivision 4, is amended to read:

30 Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT
31 PROGRAM.] (a) In implementing the authority provided in
32 subdivision 2 or in sections 8.30 and 16D.15 to accept offers of
33 installment payments or offers-in-compromise of tax liabilities,
34 the commissioner of revenue shall prescribe guidelines for
35 employees of the Department of Revenue to determine whether an
36 offer-in-compromise or an offer to make installment payments is

1 adequate and should be accepted to resolve a dispute. In
2 prescribing the guidelines, the commissioner shall develop and
3 publish schedules of national and local allowances designed to
4 provide that taxpayers entering into a compromise or payment
5 agreement have an adequate means to provide for basic living
6 expenses. The guidelines must provide that the taxpayer's
7 ownership interest in a motor vehicle, to the extent of the
8 value allowed in section 550.37, will not be considered as an
9 asset; in the case of an offer related to a joint tax liability
10 of spouses, that value of two motor vehicles must be excluded.
11 The guidelines must provide that employees of the department
12 shall determine, on the basis of the facts and circumstances of
13 each taxpayer, whether the use of the schedules is appropriate
14 and that employees must not use the schedules to the extent the
15 use would result in the taxpayer not having adequate means to
16 provide for basic living expenses. The guidelines must provide
17 that:

18 (1) an employee of the department shall not reject an
19 offer-in-compromise or an offer to make installment payments
20 from a low-income taxpayer solely on the basis of the amount of
21 the offer; and

22 (2) in the case of an offer-in-compromise which relates
23 only to issues of liability of the taxpayer:

24 (i) the offer must not be rejected solely because the
25 commissioner is unable to locate the taxpayer's return or return
26 information for verification of the liability; and

27 (ii) the taxpayer shall not be required to provide an
28 audited, reviewed, or compiled financial statement.

29 (b) The commissioner shall establish procedures:

30 (1) that require presentation of a counteroffer or a
31 written rejection of the offer by the commissioner if the amount
32 offered by the taxpayer in an offer-in-compromise or an offer to
33 make installment payments is not accepted by the commissioner;

34 (2) for an administrative review of any written rejection
35 of a proposed offer-in-compromise or installment agreement made
36 by a taxpayer under this section before the rejection is

1 communicated to the taxpayer;

2 (3) that allow a taxpayer to request reconsideration of any
3 written rejection of the offer or agreement to the commissioner
4 of revenue to determine whether the rejection is reasonable and
5 appropriate under the circumstances; and

6 (4) that provide for notification to the taxpayer when an
7 offer-in-compromise has been accepted, and issuance of
8 certificates of release of any liens imposed under section
9 270.69 related to the liability which is the subject of the
10 compromise.

11 (c) Each compromise proposal must be accompanied by a
12 nonrefundable payment of \$250. If the compromise proposal is
13 accepted, the payment must be applied to the accepted compromise
14 amount. If the compromise is rejected, the payment must be
15 applied to the outstanding tax debts of the taxpayer pursuant to
16 section 270.652. In cases of financial hardship, upon
17 presentation of information establishing an inability to make
18 the \$250 payment, the commissioner may waive this requirement.

19 [EFFECTIVE DATE.] This section is effective for offers in
20 compromise submitted after August 31, 2005.

21 Sec. 5. Minnesota Statutes 2004, section 270.69,
22 subdivision 4, is amended to read:

23 Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this
24 section shall, notwithstanding any other provision of law to the
25 contrary, be enforceable from the time the lien arises and for
26 ten years from the date of filing the notice of lien, which must
27 be filed by the commissioner within five years after the date of
28 assessment of the tax or final administrative or judicial
29 determination of the assessment. A notice of lien filed in one
30 county may be transcribed to the secretary of state or to any
31 other county within ten years after the date of its filing, but
32 the transcription shall not extend the period during which the
33 lien is enforceable. A notice of lien may be renewed by the
34 commissioner before the expiration of the ten-year period for an
35 additional ten years. The taxpayer must receive written notice
36 of the renewal.

1 [EFFECTIVE DATE.] This section is effective the day
2 following final enactment.

3 Sec. 6. Minnesota Statutes 2004, section 289A.19,
4 subdivision 4, is amended to read:

5 Subd. 4. ~~[ESTATE TAX RETURNS.] When-in-the-commissioner's~~
6 ~~judgment-good-cause-exists,-the-commissioner-may-extend-the-time~~
7 ~~for-filing-an-estate-tax-return-for-not-more-than-six-months.~~
8 When an extension to file the federal estate tax return has been
9 granted under section 6081 of the Internal Revenue Code, the
10 time for filing the estate tax return is extended for that
11 period. If the estate requests an extension to file an estate
12 tax return within the time provided in section 289A.18,
13 subdivision 3, the commissioner shall extend the time for filing
14 the estate tax return for six months.

15 [EFFECTIVE DATE.] This section is effective for estates of
16 decedents dying after December 31, 2004.

17 Sec. 7. Minnesota Statutes 2004, section 289A.31,
18 subdivision 2, is amended to read:

19 Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income
20 tax return is made by a husband and wife, the liability for the
21 tax is joint and several. A spouse who qualifies for relief
22 from a liability attributable to an underpayment under section
23 6015(b) of the Internal Revenue Code is relieved of the state
24 income tax liability on the underpayment.

25 (b) In the case of individuals who were a husband and wife
26 prior to the dissolution of their marriage or their legal
27 separation, or prior to the death of one of the individuals, for
28 tax liabilities reported on a joint or combined return, the
29 liability of each person is limited to the proportion of the tax
30 due on the return that equals that person's proportion of the
31 total tax due if the husband and wife filed separate returns for
32 the taxable year. This provision is effective only when the
33 commissioner receives written notice of the marriage
34 dissolution, legal separation, or death of a spouse from the
35 husband or wife. No refund may be claimed by an ex-spouse,
36 legally separated or widowed spouse for any taxes paid more than

1 60 days before receipt by the commissioner of the written notice.

2 (c) A request for calculation of separate liability
3 pursuant to paragraph (b) for taxes reported on a return must be
4 made within six years after the due date of the return. For
5 calculation of separate liability for taxes assessed by the
6 commissioner under section 289A.35 or 289A.37, the request must
7 be made within six years after the date of assessment. The
8 commissioner is not required to calculate separate liability if
9 the remaining unpaid liability for which recalculation is
10 requested is \$100 or less.

11 [EFFECTIVE DATE.] This section is effective for requests
12 for relief made on or after the day following final enactment.

13 Sec. 8. Minnesota Statutes 2004, section 289A.37,
14 subdivision 5, is amended to read:

15 Subd. 5. [SUFFICIENCY OF NOTICE.] An order of assessment,
16 sent postage prepaid by United States mail to the taxpayer at
17 the taxpayer's last known address, or sent by electronic mail to
18 the taxpayer's last known electronic mailing address as provided
19 for in section 325L.08, is sufficient even if the taxpayer is
20 deceased or is under a legal disability, or, in the case of a
21 corporation, has terminated its existence, unless the department
22 has been provided with a new address by a party authorized to
23 receive notices of assessment.

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

26 Sec. 9. Minnesota Statutes 2004, section 289A.60,
27 subdivision 2a, is amended to read:

28 Subd. 2a. [PENALTIES FOR EXTENDED DELINQUENCY.] (a) If an
29 individual income tax is not paid within 180 days after the date
30 of filing of a return or, in the case of taxes assessed by the
31 commissioner, within 180 days after the assessment date or, if
32 appealed, within 180 days after final resolution of the appeal,
33 an extended delinquency penalty of five percent of the tax
34 remaining unpaid is added to the amount due.

35 (b) If a ~~corporate-franchise,-fiduciary-income,-mining~~
36 ~~company,-estate,-partnership,-S-corporation,-or-nonresident~~

1 ~~entertainer~~ tax return is not filed within 30 days after written
2 demand for the filing of a delinquent return, an extended
3 delinquency penalty of five percent of the tax not paid prior to
4 the demand ~~is added to the tax, or in the case of an individual~~
5 ~~income tax return, a minimum penalty of \$100 or the five percent~~
6 penalty is imposed, whichever amount is greater.

7 [EFFECTIVE DATE.] This section is effective for returns
8 originally due on or after August 1, 2005.

9 Sec. 10. Minnesota Statutes 2004, section 289A.60,
10 subdivision 6, is amended to read:

11 Subd. 6. [PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT
12 RETURN, EVASION.] If a person, with intent to evade or defeat a
13 tax or payment of tax, fails to file a return, files a false or
14 fraudulent return, or attempts in any other manner to evade or
15 defeat a tax or payment of tax, there is imposed on the person a
16 penalty equal to 50 percent of the tax, less amounts paid by the
17 person on the basis of the false or fraudulent return, if any,
18 due for the period to which the return related.

19 [EFFECTIVE DATE.] This section is effective the day
20 following final enactment.

21 Sec. 11. Minnesota Statutes 2004, section 289A.60,
22 subdivision 11, is amended to read:

23 Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS,
24 WITHHOLDING.] (a) When a person required under section 289A.09,
25 subdivision 2, to give a statement to an employee or payee and a
26 duplicate statement to the commissioner, or to give a
27 reconciliation of the statements and quarterly returns to the
28 commissioner, gives a false or fraudulent statement to an
29 employee or payee or a false or fraudulent duplicate statement
30 or reconciliation of statements and quarterly returns to the
31 commissioner, or fails to give a statement or the reconciliation
32 in the manner, when due, and showing the information required by
33 section 289A.09, subdivision 2, or rules prescribed by the
34 commissioner under that section, that person is liable for a
35 penalty of \$50 for an act or failure to act. The total amount
36 imposed on the delinquent person for failures during a calendar

1 year must not exceed \$25,000.

2 (b) In addition to any other penalty provided by law, an
3 employee who gives a withholding exemption certificate or a
4 residency affidavit to an employer that ~~the-employee-has-reason~~
5 ~~to-know-contains-a-materially-incorrect-statement~~ decreases the
6 amount withheld under section 290.92 and as of the time the
7 certificate or affidavit was given to the employer there was no
8 reasonable basis for the statements in the certificate or
9 affidavit is liable to the commissioner of revenue for a penalty
10 of \$500 for each instance.

11 (c) In addition to any other penalty provided by law, an
12 employer who fails to submit a copy of a withholding exemption
13 certificate or a residency affidavit required by section 290.92,
14 subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the
15 commissioner of revenue for a penalty of \$50 for each instance.

16 (d) An employer or payor who fails to file an application
17 for a withholding account number, as required by section 290.92,
18 subdivision 24, is liable to the commissioner for a penalty of
19 \$100.

20 [EFFECTIVE DATE.] This section is effective for
21 certificates and affidavits given to employers after December
22 31, 2005.

23 Sec. 12. Minnesota Statutes 2004, section 290.92,
24 subdivision 1, is amended to read:

25 Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes
26 of this section, the term "wages" means the same as that term is
27 defined in section 3401(a) and (f) of the Internal Revenue Code.

28 (2) [PAYROLL PERIOD.] For purposes of this section the
29 term "payroll period" means a period for which a payment of
30 wages is ordinarily made to the employee by the employee's
31 employer, and the term "miscellaneous payroll period" means a
32 payroll period other than a daily, weekly, biweekly,
33 semimonthly, monthly, quarterly, semiannual, or annual payroll
34 period.

35 (3) [EMPLOYEE.] For purposes of this section the term
36 "employee" means any resident individual performing services for

1 an employer, either within or without, or both within and
2 without the state of Minnesota, and every nonresident individual
3 performing services within the state of Minnesota, the
4 performance of which services constitute, establish, and
5 determine the relationship between the parties as that of
6 employer and employee. As used in the preceding sentence, the
7 term "employee" includes an officer of a corporation, and an
8 officer, employee, or elected official of the United States, a
9 state, or any political subdivision thereof, or the District of
10 Columbia, or any agency or instrumentality of any one or more of
11 the foregoing.

12 (4) [EMPLOYER.] For purposes of this section the term
13 "employer" means any person, including individuals, fiduciaries,
14 estates, trusts, partnerships, limited liability companies, and
15 corporations transacting business in or deriving any income from
16 sources within the state of Minnesota for whom an individual
17 performs or performed any service, of whatever nature, as the
18 employee of such person, except that if the person for whom the
19 individual performs or performed the services does not have
20 legal control of the payment of the wages for such services, the
21 term "employer," except for purposes of paragraph (1), means the
22 person having legal control of the payment of such wages. As
23 used in the preceding sentence, the term "employer" includes any
24 corporation, individual, estate, trust, or organization which is
25 exempt from taxation under section 290.05 and further includes,
26 but is not limited to, officers of corporations who have legal
27 control, either individually or jointly with another or others,
28 of the payment of the wages.

29 (5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For
30 purposes of this section, the term "number of withholding
31 exemptions claimed" means the number of withholding exemptions
32 claimed in a withholding exemption certificate in effect under
33 subdivision 5, except that if no such certificate is in effect,
34 the number of withholding exemptions claimed shall be considered
35 to be zero.

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

1 following final enactment.

2 Sec. 13. Minnesota Statutes 2004, section 290C.05, is
3 amended to read:

4 290C.05 [ANNUAL CERTIFICATION.]

5 On or before July 1 of each year, beginning with the year
6 after the claimant has received an approved application, the
7 commissioner shall send each claimant enrolled under the
8 sustainable forest incentive program a certification form. The
9 claimant must sign the certification, attesting that the
10 requirements and conditions for continued enrollment in the
11 program are currently being met, and must return the signed
12 certification form to the commissioner by August 15 of that same
13 year. ~~Failure to~~ If the claimant does not return an annual
14 certification form by the due date ~~shall result in removal of~~
15 ~~the lands from the provisions of the sustainable forest~~
16 ~~incentive program, and the imposition of any applicable removal~~
17 ~~penalty, the provisions in section 290C.11 apply. The claimant~~
18 ~~may appeal the removal and any associated penalty according to~~
19 ~~the procedures and within the time allowed under this chapter.~~

20 [EFFECTIVE DATE.] This section is effective the day
21 following final enactment.

22 Sec. 14. [290C.055] [LENGTH OF COVENANT.]

23 The covenant remains in effect for a minimum of eight
24 years. If land is removed from the program before it has been
25 enrolled for four years, the covenant remains in effect for
26 eight years from the date recorded.

27 If land that has been enrolled for four years or more is
28 removed from the program for any reason, there is a waiting
29 period before the covenant terminates. The covenant terminates
30 on January 1 of the fifth calendar year that begins after the
31 date that:

32 (1) the commissioner receives notification from the
33 claimant that the claimant wishes to remove the land from the
34 program under section 290C.10; or

35 (2) the date that the land is removed from the program
36 under section 290C.11.

1 Notwithstanding the other provisions of this section, the
2 covenant is terminated at the same time that the land is removed
3 from the program due to acquisition of title or possession for a
4 public purpose under section 290C.10.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 15. Minnesota Statutes 2004, section 290C.10, is
8 amended to read:

9 290C.10 [WITHDRAWAL PROCEDURES.]

10 An approved claimant under the sustainable forest incentive
11 program for a minimum of four years may notify the commissioner
12 of the intent to terminate enrollment. Within 90 days of
13 receipt of notice to terminate enrollment, the commissioner
14 shall inform the claimant in writing, acknowledging receipt of
15 this notice and indicating the effective date of termination
16 from the sustainable forest incentive program. Termination of
17 enrollment in the sustainable forest incentive program occurs on
18 January 1 of the fifth calendar year that begins after receipt
19 by the commissioner of the termination notice. After the
20 commissioner issues an effective date of termination, a claimant
21 wishing to continue the land's enrollment in the sustainable
22 forest incentive program beyond the termination date must apply
23 for enrollment as prescribed in section 290C.04. A claimant who
24 withdraws a parcel of land from this program may not reenroll
25 the parcel for a period of three years. Within 90 days after
26 the termination date, the commissioner shall execute and
27 acknowledge a document releasing the land from the covenant
28 required under this chapter. The document must be mailed to the
29 claimant and is entitled to be recorded. The commissioner may
30 allow early withdrawal from the Sustainable Forest Incentive Act
31 without penalty ~~in-cases-of-eendennation~~ when the state of
32 Minnesota, any local government unit, or any other entity which
33 has the right of eminent domain acquires title or possession to
34 the land for a public purpose notwithstanding the provisions of
35 this section. In the case of such acquisition, the commissioner
36 shall execute and acknowledge a document releasing the land

1 acquired by the state, local government unit, or other entity
2 from the covenant. All other enrolled land must remain in the
3 program.

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

6 Sec. 16. Minnesota Statutes 2004, section 325D.33,
7 subdivision 6, is amended to read:

8 Subd. 6. [VIOLATIONS.] If the commissioner determines that
9 a distributor is violating any provision of this chapter, the
10 commissioner must give the distributor a written warning
11 explaining the violation and an explanation of what must be done
12 to comply with this chapter. Within ten days of issuance of the
13 warning, the distributor must notify the commissioner that the
14 distributor has complied with the commissioner's recommendation
15 or request that the commissioner set the issue for a hearing
16 pursuant to chapter 14. If a hearing is requested, the hearing
17 shall be scheduled within 20 days of the request and the
18 recommendation of the administrative law judge shall be issued
19 within five working days of the close of the hearing. The
20 commissioner's final determination shall be issued within five
21 working days of the receipt of the administrative law judge's
22 recommendation. If the commissioner's final determination is
23 adverse to the distributor and the distributor does not comply
24 within ten days of receipt of the commissioner's final
25 determination, the commissioner may order the distributor to
26 immediately cease the stamping of cigarettes. As soon as
27 practicable after the order, the commissioner must remove the
28 meter and any unapplied cigarette stamps from the premises of
29 the distributor.

30 If within ten days of issuance of the written warning the
31 distributor has not complied with the commissioner's
32 recommendation or requested a hearing, the commissioner may
33 order the distributor to immediately cease the stamping of
34 cigarettes and remove the meter and unapplied stamps from the
35 distributor's premises.

36 ~~If, within any 12-month period, the commissioner has issued~~

1 ~~three-written-warnings-to-any-distributor,-even-if-the~~
2 ~~distributor-has-complied-within-ten-days,-the-commissioner-shall~~
3 ~~notify-the-distributor-of-the-commissioner's-intent-to-revoke~~
4 ~~the-distributor's-license-for-a-continuing-course-of-conduct~~
5 ~~contrary-to-this-chapter.--For-purposes-of-this-paragraph,-a~~
6 ~~written-warning-that-was-ultimately-resolved-by-removal-of-the~~
7 ~~warning-by-the-commissioner-is-not-deemed-to-be-a-warning.--The~~
8 ~~commissioner-must-notify-the-distributor-of-the-date-and-time-of~~
9 ~~a-hearing-pursuant-to-chapter-14-at-least-20-days-before-the~~
10 ~~hearing-is-held.--The-hearing-must-provide-an-opportunity-for~~
11 ~~the-distributor-to-show-cause-why-the-license-should-not-be~~
12 ~~revoked.--If-the-commissioner-revokes-a-distributor's-license,~~
13 ~~the-commissioner-shall-not-issue-a-new-license-to-that~~
14 ~~distributor-for-180-days-~~

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

17 Sec. 17. Minnesota Statutes 2004, section 473.843,
18 subdivision 5, is amended to read:

19 Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and
20 enforcement provisions applicable to corporate franchise taxes
21 imposed under chapter 290 apply to the fees imposed under this
22 section. The commissioner of revenue shall administer the
23 provisions.

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

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and Fiscal Analysis**

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State of Minnesota

S.F. No. 1683, Delete-Everything Amendment (SCS1683A-1)

Author: Senator Lawrence Pogemiller

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Date: March 20, 2005

Article 1 Income Tax

Section 1. Extensions for Service Members. Amends section 289A.39, subdivision 1, to extend the time for filing returns, and the time for appealing orders affecting state taxes or property taxes for service members.

Effective Date: For taxable years beginning after December 31, 2003, and for property taxes payable after 2002.

Section 2. Resident Status of Military Service Personnel. Amends section 290.01, subdivision 7, to remove from the definition of a nonresident member of the armed forces of the United States or United Nations while on active duty performed outside Minnesota.

Effective Date: For taxable years beginning after December 31, 2004.

Section 3. Additions to Corporate Taxable Income. Amends section 290.01, subdivision 19a, by adding clause (8), to require corporate taxpayers to adjust the computation of taxable income by adding back any deduction taken on the federal return that is not allowed under new section 290.10, subdivision 2.

Section 4. Exclusions. Amends section 290.01, subdivision 19b, to exclude from federal taxable income up to \$10,000 of unreimbursed expenses related to donation of organs for human organ

transplantation, provided that these expenses are not included in the medical expense deduction on the taxpayer's federal return. Expenses allowed include travel, lodging, and lost wages not covered by sick pay. The subtraction may be claimed one time for each instance of organ donation during the taxable year. This section also excludes from taxable income compensation paid to members of the Minnesota National Guard or United States military reserves for active service performed in Minnesota, and compensation paid to members of the armed force of the United States or United Nations for active service performed outside of the state.

Effective Date: For taxable years beginning after December 31, 2004.

Section 5. Nondeductible Payments to Government. Adds a subdivision to section 290.10 that provides that amounts paid to a government entity associated with a violation of a law are not deductible business expenses whether characterized as fines, penalties, damages, restitution, legal fees or expenses. These payments are not deductible when paid under a criminal or civil court order, an administrative action, a plea agreement, or settlement agreement.

Effective Date: For taxable years beginning after December 31, 2004.

Section 6. Exempt Entities. Amends section 290.05, subdivision 1, to include in the definition of entities exempt from state income tax, corporations operating a personal rapid transit system. Income of the corporation that is not derived from the personal rapid transit system is not exempt under this section.

Effective Date: For taxable years beginning after December 31, 2008.

Section 7. Individual Income Tax Rates. Amends section 290.06, subdivision 2c, to increase the income tax rate from 7.85 percent to 8.0 percent for the highest income bracket.

Effective Date: For taxable years beginning after December 31, 2004, but only if the changes to the individual alternative minimum tax are enacted.

Section 8. Transit Pass Refunds. Converts the current credit for transit passes to a refund for employers who incur expenses to provide transit passes for use in Minnesota to employees.

Section 9. Carsharing Credit. Amends section 290.06, by adding a subdivision that creates a nonrefundable income tax credit for a membership fee and dues to a nonprofit carsharing organization. The maximum amount of the credit for an individual is \$390. An employer may also claim the credit for carsharing membership and dues paid for its employees. An owner of a parking facility that donates parking space to a nonprofit carsharing organization to park the motor vehicles used for carsharing may claim a credit for the value of the parking space, based on the minimum charge to other customers for parking in the facility.

Effective Date: For taxable years beginning after December 31, 2005.

Section 10. Education Credit. Amends section 290.0674, subdivision 2, to eliminate the \$2,000 maximum education credit per family, and allow a maximum credit of \$1,000 per child, regardless of the number of children. Education expenses are not limited to \$1,000 per child, the aggregate of the expenses may not exceed the maximum credit allowed for all children. The credit amount if

reduced by \$1 for each \$4 of household income over \$33,500, and no credit is allowed for income greater than \$37,500.

Effective Date: For taxable years beginning after December 31, 2005.

Section 11. Credit for Historic Structure Rehabilitation. Provides an income tax credit equal to 10 percent of the amount expended by a taxpayer for rehabilitation of a certified historic structure, or a structure in a certified historic district that is offered or used for residential or business purposes.

In order to claim the credits, a taxpayer must apply to the State Historic Preservation Office of the Minnesota Historical Society before historic rehabilitation project begins. The office will determine the amount of eligible rehabilitation costs and determine whether the rehabilitation meets the standards of the United States Department of Interior. If it is determined that it is eligible, the taxpayer would receive certificates verifying the eligibility and the amount of the credit which would be attached to the taxpayers income tax return.

In lieu of receiving the tax credit, the taxpayer may elect to receive a historic rehabilitation mortgage credit certificate. The face amount of the certificate would be equal to the credit that would otherwise be provided. The certificate would be transferred by the taxpayer to a lending institution in connection with a loan that is secured by the building for which the credit is issued. The proceeds of the loan must be used for the acquisition or rehabilitation of the building. The amount provided by the lending institution to the taxpayer must be used to reduce the principal amount of the loan, the rate of interest on the loan, or, in the case of a qualified historic home that is located in a poverty impacted area, the taxpayer's cost of purchasing the building. The lending institution may take a credit against its income or franchise tax in an amount equal to the amount specified in the certificate.

The Minnesota Historical Society is required to annually determine the economic impact to the state from the rehabilitation of eligible property for which these credits are provided and report on this impact to the taxes committee of the legislature.

Section 12. Alternative Minimum Tax. Amends section 290.091, subdivision 2, to increase the amount of the charitable deduction from alternative minimum taxable income (AMT). The current deduction for charitable contributions is only allowed if the total of the contributions exceed one percent of adjusted gross income. This section allows the full charitable deduction to be taken without regard to the amount of adjusted gross income. This section also allows a deduction for the amount of the federal exemption for dependents.

Effective Date: Taxable years beginning after December 31, 2005, only if the increase in the top individual income tax rate and the increased exemption amounts for AMT are also enacted.

Section 13. AMT Exemption Amounts. Amends section 290.091, subdivision 3, to increase the amount of income that is exempt from AMT to \$66,300 for married filing joint returns, and to \$33,150 for single filers. The exemption amount is reduced by 25 percent of the income that exceeds \$248,600 for joint filers, and \$124,300 for single filers. The exempt amounts will be adjusted for inflation.

Effective Date: Taxable years beginning after December 31, 2004, only if the increase in the top individual income tax rate and the additional deductions for AMT are also enacted.

Section 14. Nondeductible Items. Disallows deductions for fines, penalties, damages or expenses paid to a U.S., state or local government entity, the District of Columbia, Commonwealth of Puerto Rico, foreign government or agency or instrumentality of any government.

Section 15. Global War on Terrorism Checkoff. Provides for a checkoff on the individual and corporate income tax return, and the property tax refund claim form. The amounts donated under these checkoffs would be annually appropriated to the Commissioner of Veterans Affairs to be used to pay bonuses to veterans of the global war on terrorism.

Section 16. Publicly Traded Partnerships. Amends section 290.92, subdivision 4b, to exclude publicly traded partnerships from the existing withholding tax requirements for nonresident individuals of a partnership.

Effective Date: Taxable years beginning after December 31, 2004.

Section 17. Determination of Economic Impact. Directs the Minnesota Historical Society to annual determine the economic impact to the state from the rehabilitation of eligible property for which credits are provided under section 11.

Section 18. Corporate Franchise Tax Study. Directs the Commissioners of Finance and Revenue to conduct a study to identify the reasons for the decline in corporate tax receipts, including the effect of each corporate tax law, how tax provisions change business practices and the impact of outsourcing or relocation of business operations and jobs. The Commissioners will report their findings, and make recommendations for changes to the tax laws, to the chairpersons of the House and Senate Tax Committees by February 1, 2006.

Article 2 Federal Update

Section 1. Update of Tax Administration Provisions. Adopts federal tax administrative provisions made between June 15, 2003 and December 31, 2004 that Minnesota piggybacks on for state tax administration purposes.

Section 2. Update to Federal Definition of Taxable Income. Adopts federal changes to taxable income effective at the same time that the federal changes were effective.

Section 3. Additions to Federal Taxable Income for Individuals, Estates and Trusts. Requires individuals, trusts and estates to add back to federal taxable income the new manufacturer's deductions; the difference between the standard deduction for married couples allowed under the 2003 Internal Revenue Code (IRC) and the deduction allowed under the current IRC; 80% of the difference between the IRC section 179 expenses allowed under the 2003 IRC and the amount allowed under the current code; and the amount of deduction a taxpayer claims for non-business state

sales and use tax, but only to the extent that the deduction generates a federal tax benefit using the 2003 IRC standard deductions; the exclusion allowed for federal subsidies for prescription drug plans and the deduction allowed for contributions to health savings accounts.

Section 4. Subtractions from Federal Taxable Income for Individuals, Estates and Trusts. Allows a subtraction from federal taxable income for one-fifth of the amount of add-back for IRC section 179 expenses required in section 3 in each of the five years succeeding the year of the add-back.

Section 5. Additions to Federal Taxable Income for Corporate Franchise Tax. Requires C corporations to add to federal taxable income the new federal manufacturer's deduction and 80 percent of the difference between the IRC section 179 expenses allowed under the code and the amount that would have been allowed under the 2003 IRC.

Section 6. Subtractions from Federal Taxable Income for Corporate Franchise Tax. Allows a subtraction from federal taxable income for one-fifth of the amount of add-back for IRC section 179 expenses required in section 5 in each of the five years succeeding the year of the add-back.

Section 7. Update Internal Revenue Code References. Adopts federal changes to federal adjusted gross income used for computing the individual alternative minimum tax and household income used for the education and dependent care credits. Also adopts changes to the definitions of "dependent" and "qualified child" and federal changes to qualifications for selecting S corporation status.

Sections 8 and 9. Technical Change to Additional Tax on Certain Lump Sum Pension Plan Distributions. Corrects obsolete citations to federal codes.

Section 10. Nonresident Income Tax Ratio. Provides that the numerator of the ratio used by nonresidents for calculating Minnesota income tax is modified for that portion of the changes to additions and subtractions in sections 3 and 4 that are assignable to Minnesota.

Section 11. Dependent Care Credit Exempt Income Ratio. Provides that the exclusions for combat pay and military pay do not reduce the amount of dependent care credit allowed.

Section 12. Household Income. Provides that the new manufacturer's deduction and deductions for contributions to health savings accounts are not allowed as deductions in calculating household income used to phase out the dependent care and education credits.

Section 13. Working Family Credit Exempt Income Ratio. Provides that the exclusions for combat pay and military pay do not reduce the amount of working family credit allowed.

Section 14. Marriage Penalty Credit Computation. Provides that in calculating the marriage penalty credit, the old federal standard deduction rather than the new standard deduction is used, since Minnesota is not adopting the new standard deduction.

Section 15. Individual Alternative Minimum Tax. Includes the new additions for section 179 expenses and the manufacturer's deduction and the new subtraction for section 179 expenses in the computation of Minnesota alternative minimum taxable income.

Section 16. Property Tax Refund Household Income. Provides that the manufacturer's deduction and deductions for contributions to health savings accounts are included in household income used to calculate the property tax refund.

Section 17. Update References for Property Tax Refund. Adopts the federal changes that affect household income and the definition of dependent for the purpose of calculating the property tax refund.

Section 18. Pre-emption. Provides that if the federal update provisions in SF 1209 were enacted, they would be replaced by the provisions in this article.

Article 3 Sales Tax

Sections 1 -3, 22 and 61. Use Taxes. Establishes a method for making payments of use taxes. The bill provides that individuals will be able to make use tax payments on their individual income tax return for the calendar year in which the purchases are made, on the quarterly estimated income tax payment return for the calendar quarter in which the purchases are made, or on an individual use tax return to be devised by the Commissioner of Revenue. Provisions in current law setting forth requirements for payments of use tax are stricken or modified to be consistent with the new process for making the payments. The Commissioner of Revenue is required to establish a use tax enforcement unit within the Department of Revenue to conduct compliance activities that should increase the payment of the use tax. The Commissioner is also required to conduct an information campaign targeted to higher income individuals, attorneys, accountants, and tax preparers to advise the individuals and tax professionals of the obligation to report and pay use tax.

Section 4. Personal Rapid Transit System. Adds a definition to Minnesota Statutes, section 297A.61, for a personal rapid transit system to mean a computer-controlled system of small vehicles used to transport one to three passengers on elevated guideways and operating on demand and nonstop to stations in the network. Available for or sales and purchases made on and after July 1, 2008.

Section 5. Geothermal Systems. Creates an exemption from sales tax for a geothermal heating and cooling system. Effective for sales and purchases made on and after July 1, 2005.

Section 6. Biomass Stoves. Creates an exemption from sales tax for stoves that burn fuel pellets made from biomass materials. Effective for sales and purchases made on and after July 1, 2005.

Section 7. Capital Equipment. Amends section 297A. Clarifies that the sales tax exemption for capital equipment does not apply to telecommunications equipment, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications.

Effective Date: For sales and purchases made on and after July 31, 2001.

Sections 8 and 19. Petroleum Products. Creates an exemption from sales tax for petroleum products used as fuel for a commuter rail system, the tax must be paid at the time of purchase and a refund claim filed for the exempt amount.

Section 9. Movies and Television. Amends section 297A.68, the business sales tax exemptions, to add an exemption from sales and use tax for property used or consumed in the production of movies and television shows. The exemption does not include property used in administration, general management or marketing. Purchases of machinery and equipment, and fuel, electricity, gas, or steam used for heating and lighting are not exempt under this subdivision

Section 10. Personal Rapid Transit System. Adds an exemption from sales and use tax for all machinery, equipment, and supplies purchased or leased that are used directly to provide a personal rapid transit system. The exemption does not include purchases for nonproduction purposes, including operation support and administration.

Effective Date. For sales and purchases made on and after July 1, 2008.

Section 11. Public Safety Radio System. Expands the exemption from sales tax for a regional public safety radio communication system to include statewide public safety radio system.

Section 12. Donated Meals. Amends section 297A.70, by adding a subdivision that exempts from sales and use tax meals that are donated by a retailer to a nonprofit group for fund raising purposes.

Sections 13 and 20. Commuter Rail System. Adds an \$8.6 million capped exemption from sales and use tax for all materials, equipment, and supplies used in construction, expansion or improvement of a commuter rail transportation system.

Section 14. Waste Recovery Facility. Adds an exemption from sales and use tax for all materials, equipment, and supplies used in construction, expansion or improvement of a waste to energy resource recovery facility that uses biomass or mixed municipal solid waste.

Effective Date. For sales and purchases made on and after July 1, 2005.

Section 15. Personal Rapid Transit System. Adds an exemption from sales and use tax for all materials, equipment, and supplies used in construction, expansion or improvement of a personal rapid transit system.

Effective Date. For sales and purchases made on and after July 1, 2008.

Section 16. Hospital. Amends section 297A.71, to add an exemption from sales and use tax for construction of the hospital portion of the St. Mary's Duluth Clinic Health System.

Sections 17, 19, and 20. Municipal Utilities. Provides a sales tax exemption for the construction inputs of electrical generation and related facilities pursuant to a joint powers agreement to meet the biomass energy mandate if the owners are a municipal utilities or a joint venture of municipal utilities.

Section 18. Chatfield Wasterwater Treatment Facility. Provides an exemption from sales and use tax for materials and supplies used in and equipment incorporated into the construction, improvement, or expansion of a wastewater treatment facility owned by the city of Chatfield.

Section 20. Tax Refund. Amends section 297A.75, subdivision 2, to provide for a refund of sales tax paid by the operator of a commuter rail system, municipal electric utility or a joint venture of municipal electric utilities.

Section 21. Persons Applying. Provides that a person allowed to file and pay use tax under the new payment system outlined in sections 1 through 3 is not required to file an application for a sales tax permit.

Sections 23 and 24. Seller's Permit. Expands the occasional sale provisions and the seller=s permit requirements to provide that a person who participates for three or fewer days in one event per year and makes less than \$500 in sales may provide to the operator of the event a written statement that they are qualified for the occasional sales exemption.
Effective date: For selling event occurring after June 30, 2005.

Sections 25 to 29. Local Option Sales Tax. Provides general authority for local sales taxes of up to one-half of one percent.

Section 25. Amends Minnesota Statutes, section 297A.99, subdivision 1, by removing the requirement that a special law be enacted before a local government may impose a general sales tax. New provisions allow a city of the first class to impose, by ordinance, a general sales tax of up to one half of one percent, without a special law. Duluth is allowed a one percent sales tax. A city of the first class may also extend the length of time that a sales tax enacted before July 1, 2004, may be imposed. A city of the first class may, by ordinance, impose a \$20 excise tax on the sale of motor vehicles within the city boundaries.

Section 26. Amends section 297A.99, subdivision 2, by removing the requirement that the local government adopt a resolution to request legislation authorizing a local sales tax. The new provisions allow cities of the second or third class to impose by ordinance a general sales tax of up to one half of one percent, or extend an existing sales tax, without a special law, subject to specific limitations. The proceeds of the tax must be dedicated for payment of a specific capital improvement, in one of eight categories, that provides a regional benefit. The city must provide to the Commissioner of Revenue a copy of the ordinance and other official documentation that shows compliance with this section.

Section 27. Amends section 297A.99, subdivision 3, by removing the requirement that the imposition of a local sales tax be approved by the local voters. The new provisions require cities of the second or third class to obtain special legislation to enact a local sales tax if the proceeds of the tax are to be used to fund projects that are not covered by subdivision 2. The local government must adopt a resolution that includes the proposed tax rate, how the revenues will be used, the total revenues to be raised and the length of time the tax will be in effect. Imposition of a tax under this subdivision must receive local voter approval. The proceeds from a tax imposed under this subdivision must be used for a specific capital improvement.

Section 28. Amends section 297A.99, subdivision 5, to include the tax rates imposed under subdivisions 1 or 2.

Section 29. Amends section 297A.99, subdivision 12, to require that a new local sales tax may only be imposed starting on January 1.

Section 30. Fuel Efficient Vehicles. Amends section 297B.03, by exempting from motor vehicle excise tax sales of vehicles to the state or a political subdivision that have a highway fuel efficiency greater than 45 miles per gallon, and a city fuel efficiency greater than 35 miles per gallon
Effective Date. For sales made after June 30, 2005, and before July 1, 2008.

Section 31. Local Tax Prohibition. Strikes the general prohibition for local governments to levy sales taxes.

Section 32. St. Cloud. Amends the authority of the city of St. Cloud to impose a sales tax on retail on sales of intoxicating liquor, food, and non alcoholic beverages. The current law allows a one percent sales tax. This section authorizes the city to increase the sales tax to two percent if the increase is approved by the voters of the city at the next general election.

Section 33. St. Cloud. Amends the authority of the city of St. Cloud to impose a lodging tax. The current law allows a two percent tax. This section authorizes the city to increase the lodging tax to three percent if the increase is approved by the voters of the city at the next general election.

Sections 34 and 35. Mankato. Allows the city of Mankato to issue bonds for Riverfront 2000 in an aggregate amount of \$25 million.

Section 36. Hermantown. Amends the use of the revenues from the Hermantown sales tax to allow the city to use one half of the revenue for construction of a city hall, public works facility, roads, street improvements, and extension of a sewer interceptor line. Requires the city to conduct a referendum if the city proposes to increase the sales tax rate, authorizes bonding in an amount not to exceed \$13,000,000. The additional tax expires when sufficient revenues have been raised by it to pay the cost of the project, including debt service.

Sections 37 and 38. Rochester. Amends the use of the revenues from the Rochester sales tax to include construction of a regional highway and higher education facilities, and authorizes bonding in an amount not to exceed \$111,500,000.

Sections 39 to 41. Proctor. Authorizes the city of Proctor to impose an additional sales and use tax of up to one half of one percent if approved by the city voters at a general or special election. The tax revenues must be used for construction and improvements of city streets, public utilities, sidewalks, bikeways and trails. The city may issue bonds in an amount not to exceed \$7,200,000.

Section 42. Provides a sales tax exemption for materials and supplies used in the construction, improvement or expansion of poultry litter and other biomass generation facilities.

Section 43. Allows the City of Duluth to continue to administer its local sales tax until the state of Minnesota is found to be out of compliance with the streamlined sales tax.

Section 44. Repealer.

Section 45. Prepared Meats. Repeals the sunset on the sales tax exemption for prepared meats.

Section 46. Thief River Falls. Amends the authority of the city of Thief River Falls nonprofit corporation to clarify that the nonprofit corporation is exempt from sales and use tax on the construction of the community or regional center. A contractor is prohibited from charging the nonprofit for sales or use taxes if the contractor does not pay tax on the items.

Section 47. Albert Lea. Authorizes the city of Albert Lea to impose a sales and use tax of one half of one percent if approved by the city voters at the next general election. The tax revenues must be used to pay for lake improvement projects. The tax terminates 10 years after imposition or when the revenues meet or exceed the sum of \$15,000,000, whichever is earlier.

Section 48. Beaver Bay. Authorizes the city of Beaver Bay to impose a sales and use tax of up to one half of one percent if approved by the city voters at the next general election. The tax revenues must be used to pay for indebtedness on the community building, fund the recreational facilities, upgrade water and sewer systems, upgrade fire equipment, and improvement of streets. The tax terminates when the revenues meet or exceed the sum of \$1,500,000.

Section 49. Bemidji. Authorizes the city of Bemidji to impose a sales and use tax of one half of one percent that was approved by the city voters at a November, 2002, election. The tax revenues must be used to pay for construction and improvement of parks and trails. The city may issue bonds in an amount not to exceed \$9,826,000. The tax terminates when the revenues are sufficient to retire the bonds.

Section 50. Cloquet. Authorizes the city of Cloquet to impose a sales tax of up to one half of one percent, and a motor vehicle excise tax of up to \$20 per vehicle on vehicles sold within the city. The revenues will be used to pay for costs of improvements of Veteran's Park and riverfront parks, water

and sewer lines, city infrastructure improvements, and the cost of closure of a municipal landfill. The city will issue bonds not to exceed \$7,000,000 to pay for these projects. The city voters must approve the tax. The tax expires the earlier of 12 years, or when the bonds have been retired.

Section 51. Clearwater. Authorizes the city of Clearwater to impose a sales tax of one half of one percent to pay for costs of development, acquisition, construction and improvements of parks, trails, parkland, open space and a regional community and recreation center. The city will issue bonds not to exceed \$3,000,000 to pay for these projects. The city voters must approve the tax. The tax expires when project costs have been paid and the bonds have been retired.

Section 52. Medford. Authorizes the city of Medford to impose a sales tax of one half of one percent to pay for \$5,000,000 in improvements to the city=s wastewater system and wastewater treatment plant. The city will issue bonds to pay for the improvements. The city voters must approve the additional tax. The tax expires at the earlier of 20 years or when the project costs have been paid and the bonds have been retired.

Section 53. Park Rapids. Authorizes the city of Park Rapids to impose a sales tax of one percent. The revenues will be used to pay for costs of development, acquisition, construction and improvements of the following projects: a community center if one third of the cost is received from private sources; capital improvements including water, sewer, streets, water tower and well, trunk highway 43 improvements, and parks. The city will issue bonds to pay for the improvements. The city voters must approve the tax. The tax expires July 1, 2023.

Section 54. Proctor. Authorizes the city of Proctor to use up to ten percent of the city lodging tax receipts for preservation of the Caboose, the Baldwin Locomotive, and the F 101F aircraft.

Section 55. St. Cloud Area Cities.

Subdivision 1. Authorizes the St. Cloud area cities, St. Cloud, Sartell, Sauk Rapids, St. Augusta, St. Joseph, and Waite Park to impose a one half of one percent sales tax within the respective city boundaries. Before a city may impose the tax, it must be approved by the voters of the city at the next general election.

Subdivision 2. The revenues collected from the sales taxes must be used to finance regional projects: St. Cloud Regional Airport, transportation, arts, libraries, community centers, park land and open space, and \$20,000,000 for the St. Cloud Civic Center remodeling and expansion.

Subdivision 3. Provides for annual allocation between the cities of the revenues from the sales taxes. The first \$900,000 of collections is designated to St. Cloud for the expansion of the St. Cloud Civic Center or the construction of the Great River Regional Library. The remaining revenue is returned to the cities pursuant to a joint powers agreement.

Subdivision 4. Authorizes St. Cloud to issue general obligation bonds, not to exceed \$80 million, to pay for the projects in subdivision 2.

Subdivision 5. The St. Cloud sales tax expires when the bonds have been retired or redeemed. The sales taxes imposed by the remaining cities expire the earlier of 20 years or when the projects listed in subdivision 2 are complete.

Effective Date. For sales and purchases on and after January 1, 2006, if approved by the voters of the city.

Section 56. Sales Tax Compliance Gap. The Commissioner of Revenue is required to close the compliance gap in the payment of sales and use tax, reducing it by 25 percent by December 31, 2007, and an additional 25 percent by December 31, 2008, and must establish an effective method for individuals to pay sales and use tax.

Section 57. Waite Park. Authorizes the city of Waite Park to impose a sales and use tax of one half of one percent that was approved by the city voters at a November, 2003, general election. The tax revenues must be used to pay for the city's portion of the funding for the St. Cloud Regional airport, not to exceed \$25,000 per quarter, and for other regional projects approved by the voters in 2003. The tax terminates when the revenues meet or exceed the amount necessary to pay for the regional projects.

Section 58. Waseca. Authorizes the city of Waseca to impose a sales tax of one percent. The revenues will be used to pay for costs of improvements to water quality and lakes, the community center, an industrial incubator and improvements to downtown. The city will issue bonds in an amount not to exceed \$1,820,000, to pay for the improvements. The city voters must approve the tax. The tax expires the earlier of 10 years or when sufficient funds have been raised to retire the bonds.

Section 59. Willmar. Authorizes the City of Willmar to impose a sales and use tax of one half of one percent. This proposal was approved by the voters at the November, 2004 general election. Revenues from the tax may be used to pay for the completion and expansion of the airport/industrial park, hiking and bike trails, connection of the Blue Line and civic center buildings and purchase of a portion of the Willmar Regional Treatment Center campus located west of Trunk Highway 71. The city is authorized to issue general obligation bonds in an amount not to exceed \$8,000,000 to pay for these projects. This debt would not be subject to the net debt limits. The tax will expire at the later of seven years after it is imposed or when the city council determines that sufficient revenues have been raised to pay the cost of the project that will be completed under this bill.

Section 60. Winona. Authorizes the city of Winona to impose a sales tax of one percent, and a motor vehicle excise tax of \$20 per vehicle sold within the city boundaries. The revenues will be used to pay for costs of transportation projects or improvements. The city voters must approve the tax. The tax expires the earlier of 10 years or when sufficient funds have been raised to retire the bonds.

Section 62. Repealer. Repeals Minnesota Statutes, section 297A.99, subdivision 13, which provides that all local sales taxes are subject to the general rules in that section.

Article 4 Property Taxes

Sections 1-2. Soil and Water Districts Levy Authorization. Authorize soil and water conservation districts to impose their own levies rather than having county boards levy on their behalf. The levy is limited to .048 percent of taxable market value or \$750,000 whichever is less. This amount would be used for general administrative expenses of the soil and water conservation district. A levy is also permitted for the implementation of projects of the district or to match grants. The supervisors of the district are required to hold a public hearing after published notice in a general circulation newspaper before adopting a budget if levies are authorized.

Sections 3-6. School Capital Levies. Permits school districts that are considering capital levies to choose to impose the levy on either net tax capacity or on referendum market value. Under current law, capital levies are imposed on net tax capacity only. Debt service equalization will continue to be based on net tax capacity so there will be no distributional impacts between districts.

Sections 7-10. Referendum Equalization. Provides a new definition of "local effort level" for referendum equalization that includes income tax revenues from a school district referendum imposed on income tax liability under section 37.

Section 11. Referendum Ballot and Notice. Provides optional ballot language for income tax based referenda stating that voting yes on the ballot question may result in an income tax increase. A referendum may be conducted on the question of converting an existing property tax levy to an income tax. Notices of an income tax referendum must be mailed to taxpayers shown to be domiciled in the district. Space must be provided on the individual income tax form for taxpayers to identify their school district domicile. Surplus ballot language is eliminated.

Section 12. Manufactured Home Delinquent Taxes. Provides that a manufactured home park owner is not required to pay the delinquent or current year's personal property taxes as a condition of transferring title on a manufactured home to the park owner.

Section 13. Commissioner to Notify County Auditor. Requires the Commissioner of Transportation to notify the county auditor of property acquired by the Department of Transportation.

Section 14. Wind Energy Conversion Systems. Provides that if approved by the county where the property is located, the value of land on which a wind energy conversion system is located must not be increased or decreased for property tax purposes. The land must be classified based on the most probable use of the property if it were not improved with the wind energy conversion system.

Section 15. Poultry Litter Biomass Generation Facility. Extends the construction date requirement that applies to a poultry litter biomass generation facility personal property exemption by one year. Under this section, construction must begin during calendar after January 1, 2003, and before December 31, 2005.

Section 16. Electric Generation Facility Personal Property. Alters the requirements that apply to an exemption from the tax on personal property of an electric generation facility that was enacted in 2003. The capacity of the plant is reduced from 550 megawatts to 300 megawatts. Current law provides that the exemption applies to a facility at which the construction is begun between January 1, 2004, and December 31, 2006. This section provides that any expansion of the facility would be eligible for the exemption under this provision, without regard to the date when the construction of the expansion begins.

Section 17. Electric Generation Facility Personal Property. Provides an exemption from the property tax for personal property and attached machinery that is part of a simple cycle, combustion turbine electric generation facility that exceeds 290 megawatts of installed capacity. The facility must be designed to use natural gas as a primary fuel, not be owned by a public utility, be located outside of the metropolitan area but within five miles of an existing natural gas pipeline, and within five miles of an existing electrical transmission substation. It must be designed to provide peaking capacity energy and ancillary services, and meet the certificate of need requirement that apply to large energy facilities. Construction must begin between January 1, 2005, and December 31, 2008.

Section 18. Electric Generation Facility Personal Property. Provides a property tax exemption for attached machinery and other personal property that is part of a simple cycle, combustion turbine electric generation facility that exceeds 300 megawatts. The facility must be designed to use natural gas as a primary fuel, be owned by a public utility, and located at or interconnected with an existing generating plant of the utility. It must be designed to provide peaking, emergency backup or contingency services, and satisfy a resource need identified in an approved integrated resource plan. Construction must begin during calendar year 2005.

Section 19. Electric Generation Facility Personal Property. Provides a tax exemption for attached machinery and other personal property that is part of an electric generation facility that exceeds 150 megawatts of installed capacity. The facility must be designed to use natural gas as a primary fuel, be owned and operated by a municipal power agency, have a certificate of need from the Public Utilities Commission, be located outside of the metropolitan area, and be designed to be a combined cycle facility, even though, initially, the facility may be operated as a simple cycle, combustion turbine. In order to receive the exemption, the municipal power agency and the host city must enter into an agreement for payment in lieu of property taxes to the host city. Construction of the material must be commenced between January 1, 2004, and December 31, 2005.

Section 20. Biomass Electric Generation Facility Personal Property. Provides an exemption for attached machinery and other personal property that is part of an electric generation facility that generates up to 30 megawatts of installed capacity. The facility must be designed to utilize at least 90 percent waste biomass as a fuel, not be owned by a public utility, be located within a city of the first class, have its primary location at a former garbage transfer station, and be designed to have the capability to provide baseload energy and district heating. Construction of the facility must be commenced between January 1, 2004, and December 31, 2007.

Section 21. Electric Generation Facility Personal Property. Provides an exemption for attached machinery and other personal property that is part of either a simple cycle, combustion turbine electric generation facility that provides at least 150 megawatts or a combined cycle, combustion turbine electric generation facility that provides at least 225 megawatts of installed capacity. The facility must be designed to use natural gas as a primary fuel, not be owned by a public utility, be located in a metropolitan county that has a population between 190,000 and 225,000, and be within one mile of an existing natural gas pipeline, and within one mile of an existing electrical transmission substation. It must be designed to provide energy and ancillary services, and received a certificate of need for a large energy facility. Construction must begin between January 1, 2005, and December 31, 2007.

Section 22. Personal Rapid Transit System. Provides that property used in the operation and support of a personal rapid transit system is exempt, provided that the system provided service to the public on a continuous basis and is operated independent of any government subsidies.

Section 23. Qualified Elderly Living Facility. Provides that an elderly living facility is exempt from the property tax if:

- it is located in the city of the first class with a population of more than 350,000;
- it is owned and operated by a nonprofit corporation, or by a limited liability company, or the sole member of which is a nonprofit corporation;
- it consists of no more than 60 living units;
- the owner of the facility is an affiliate of entities that own and operate assisted living and skilled nursing facilities that are located across the street from the facility, adjacent to a church, include an congregate dining program, and provide assisted living or similar social and physical support;
- the residents of the facility must be at least 62 years of age or handicapped; and
- at least 20 percent of the units in the facility must be occupied by persons whose annual income does not exceed 50 percent of median family income for the area, or at least 40 percent of the units in the facility are occupied by persons whose annual income does not exceed 60 percent of the median family income for the area.

The exemption would remain in effect for the term of the facilities initial permanent financing or 25 years, whichever is later.

Section 24. Reports. Requires owners of wind energy conversion systems to file their annual report to the Commissioner of Revenue by February 1 rather than March 1. The Commissioner of Revenue must notify the owners of wind energy conversion systems of the amount of tax due for the current

year and notify the counties of the amount of tax due from wind property owners by February 28 rather than March 31.

Section 25. Distribution of Revenues. Provides that the county treasurer will distribute the wind energy production tax based on the local tax rates for the previous year, rather than on the current year tax rates.

Section 26. Limited Market Value. Eliminates the current law phase out of the limited market value law. Instead, for assessment year 2005 and thereafter, the limited market value system would continue to apply as it has for assessment year 2004; that is, the amount of the market value increase would be limited to the greater of 15 percent of the value in the preceding assessment or 25 percent of the difference between the current assessment and the preceding assessment. The current law termination date on limited market value, for taxes payable in 2008, is eliminated. This section extends limited market value to homestead resort property.

Section 27. Homestead Resorts; 2005 Assessment. Provides that for the 2005 assessment, the market value on homestead resorts cannot increase by more than the greater of 15 percent of the 2002 assessment or 25 percent of the difference between the 2004 assessment and the 2002 assessment. For the 2006 and subsequent assessments, homestead resorts will be included in the classes which receive the regular limited market value treatment.

Section 28. Valuation Exclusion for Sewage Treatment Systems. Provides a valuation exclusion for sewage treatment system improvements. The exclusion would apply to property that is classified as homestead or nonhomestead residential, including rental residential property with three or fewer units and cabins. It is available for property in counties that have authorized these valuation exclusions. A notice of noncompliance must have been issued by a licensed compliance inspector with regard to the individual sewage treatment system serving the property. The owner of the property must furnish proof to the assessor that the property's individual treatment system has been replaced or refurbished between May 1, 2005, and December 31, 2007, and a certificate of compliance has been issued for the new or refurbished system. If it qualifies for the exclusion, it would be in the amount of 50 percent of the costs incurred, to a maximum exclusion of \$7,500 for five taxable years. The valuation exclusion would terminate when the property is sold.

Section 29. Valuation Exclusion for Lead Hazard Reduction. Provides that owners of residential homesteads and non homestead property of up to three units may apply for a valuation exclusion for lead hazard reduction. This would be available only in cities that authorized valuation exclusions under this program. If it authorizes the valuation exclusions, the city must establish guidelines for qualifying lead hazard reduction projects and must designate a city agency to issue certificates of completion of qualifying projects. A qualifying property is eligible for a valuation exclusion equal to 50 percent of the cost incurred for the lead hazard reduction project to a maximum exclusion of \$15,000 for five years. The valuation exclusion is available only for projects that begin after April 30, 2005. The exclusion terminates when the property is sold.

Section 30. Energy-efficient Commercial Properties. Provides that the market value of energy-efficient commercial property is subject to a reduction. To qualify for the valuation reduction, the property must be certified by a qualified inspector as having been constructed in a manner that will achieve a level of energy consumption that is at least 20 percent lower than the standard set in the state energy code. If the percentage of energy consumption below the energy code requirement is between 20 and 30 percent, the property is eligible for a five percent market value reduction. If the energy consumption is 31 to 50 percent below the energy code requirement, there will be a ten percent market value reduction. If the energy consumption is over 50 percent below the code requirements, the market value reduction will be 15 percent. Reductions will remain in effect for the first ten years after the property has been certified as qualifying. The Department of Commerce is required to establish a process for determining eligibility for the valuation reduction, including certification of persons who are qualified to perform this function.

Sections 31 and 38. Aggregate Resource Preservation Property Tax Law. Establishes an Aggregate Resource Preservation Property Tax Program. Real estate will be classified under this program if it is classified as homestead or agricultural property, it contains at least ten contiguous acres, and there are no delinquent taxes on the property. In applying for the valuation deferment, the owner must provide proof that the land contains a restrictive covenant limiting its use for the property surface to that which exists on the date of the application, and limiting its future use to the preparation and removal of the aggregate commercial deposit under its surface. If it qualifies, the property would be valued as if it were agricultural property using a per acre valuation equal to the current year's per acre valuation of agricultural land in the county. The assessor must not consider additional value that would result from potential alternative and future uses of the property. Buildings would continue to be assessed as they are under current law. The covenant may be canceled by the owner or by the municipality in which the property is located. If the owner cancels, there is a recapture of the difference between the taxes that had been imposed on the property under this program and what would have been payable over the years that the property has been in the program. If the municipality cancels the covenant there is no recapture of the taxes. A county government is allowed to terminate the application of these sections prospectively within the county after giving notice and public hearing. When land that was in the program begins to be mined, it will be eliminated from the program but with no recapture of taxes, and it will be assessed as commercial-industrial property.

Section 32. Homestead Resorts Valuation and Deferment. Establishes a valuation and tax deferment program for class 1c homesteaded resorts similar to the agricultural "Green Acres" program. The taxes imposed are based on the use as a resort, and when the property no longer qualifies, the property is subject to additional taxes for the current year and for the six previous years. The amount due for each of those years is the difference between the amount of taxes actually paid and the amount that would have been paid if the valuation and deferment program had not existed. Special local assessments levied after June 30, 2005, are deferred (with interest) until the property no longer qualifies. Effective for taxes levied in 2005, payable in 2006 and thereafter.

Section 33. Open Space Valuation; Polo. Includes real estate devoted to polo in the list of uses which qualify for the Open Space valuation and deferment program.

Section 34. Homestead property damaged by mold. Provides that the owner of homestead property, who does not qualify for an adjustment in valuation under the provisions of the law providing for reassessment of homestead property damaged by a disaster, may receive a reduction in the amount of the taxes payable on the property if:

- the property owner makes written application to the county assessor and the county board; and
- the county assessor determines that the homestead dwelling is uninhabitable because all or part of it has been contaminated by mold.

If these conditions are met, the county board is required to grant a reduction in the amount of property tax payable on the homestead in proportion to the number of months when the property was uninhabitable. The reduction would apply to the taxes payable in the year that the assessor determines if the dwelling has been made uninhabitable and the following year. If the reduction is granted after all property taxes due for the year have been paid, the amount of the reduction must be refunded by the county treasurer as soon as practicable.

Section 35. Homestead Used for Licensed Child care. Provides that a portion of a homestead property used to provide licensed child care must be classified as homestead property.

Section 36. Agricultural Homestead. Extends the agricultural homestead treatment to agricultural property that is being actively farmed by the grandson or granddaughter of the owner or of the owner's spouse. Under current law, property would qualify as an agricultural homestead only if it is actively farmed by the owner, the owner's spouse, or the son or daughter of one of them.

Section 37. Homestead Resort Class Rate. Reduces the class rate that applies to homestead resorts, which is currently one percent, to 0.55 percent on the first \$600,000 of market value, one percent on the value between \$600,000 and \$1.6 million and 1.25 percent on the remaining market value. This section also strikes the limitation of the 1c classification to an area 800 feet wide by 500 feet deep.

Section 38. Agricultural Classification. Provides that agricultural products include short rotation woody crops that are cultivated using agricultural practices to produce timber or forest products. The result of this change would be that land on which these crops are cultivated could be treated as agricultural property for purposes of the agricultural classification in the property tax law. This section also includes land with a commercial aggregate deposit not actively being mined within the agricultural classification.

Sections 39, 40, and 56. Class 4d Low-Income Rental Housing. Provides that qualifying low income rental housing will have a property tax class rate of 0.55 percent for taxes payable in 2007 and thereafter. In order to qualify, 75 percent of the units in a rental property must meet one of the following criteria: 1) the units are subject to a section 8 housing contract; 2) the units are rent and income restricted units of a qualified low income housing project receiving tax credits under section

42(g) of the Internal Revenue Code; 3) the units are financed by the Rural Housing Service of the Department of Agriculture and rental assistance program payments; or 4) the units are subject to rent and income restrictions under terms of government-provided financial assistance. The restrictions must require the units to be occupied by residents whose household income at the time of occupancy does not exceed 60 percent of the greater of area or state median income as adjusted for family size and require that rents for the assisted units must not exceed 30 percent of the same income threshold. The value of qualifying property must be determined on the basis of the restricted use of the property by capitalizing net operating income prior to payment of debt service. The Commissioners of Revenue and the Housing Finance Agency must determine the capitalization rate to be applied. Application for the income based assessment must be made filed by February 28 of the levy year with MHFA.

Section 41. Vacant Commercial Industrial Properties. Authorizes a city to establish a program by ordinance, to encourage redevelopment, better utilization of property, and elimination of blighting influences. The city would have authority to revoke eligibility of individual commercial industrial properties to receive the disparity reduction credit. A property is subject to this loss of the credit only if for the previous three or more years it has been condemned, dangerous, or having multiple housing or building code violations; condemned and illegally occupied; either occupied or unoccupied, during which time the local enforcement officer has issued an order to correct nuisance conditions. A property is also subject to loss of the credit if it was unoccupied and unutilized for a commercial industrial purpose for at least five years prior to the current assessment year. The city program must provide standards for determining whether a property is vacant, written assessment notice by the city or county to the property owner informing the owner that the property's eligibility will be revoked, and opportunity to appeal the revocation at the board of equalization. Effective for taxes payable in 2007 and thereafter.

Section 42. Market Value Credit Reimbursement Reduction. Provides that for homestead property located within a city, the reimbursement for the market value credit to the county and the city will be reduced if the net tax on the property is less than a specified percentage of its taxable market value. For taxes payable in 2007 and 2008, the percentage is 0.7 percent of market value. The percentage increases to 0.8 percent for taxes payable in 2009 and 2010, to 0.9 percent for taxes payable in 2011 and 2012, and to 1.0 percent for taxes payable in 2013 and thereafter. The reduction in the reimbursement must be allocated to the county and the city in proportion to their levies.

Section 43. Valuation of Electric and Transmission Pipeline Utility Property. Provides that rules adopted by the Commissioner of Revenue prescribing the method of valuing electric and transmission pipeline utility property may not take effect before the end of the regular legislative session in the calendar year following adoption of the rules.

Section 44. Proposed Tax Notice; Ramsey County Library. Provides that on the notice of proposed property taxes for Ramsey County, any amount levied for library purposes must be listed separately from the remainder of the county's levy.

Section 45. Truth in Taxation Joint Hearing. Authorizes Aitkin County, the city of Aitkin and Independent School District No. 1 in Aitkin County to hold their initial public hearing under the truth and taxation process jointly. The hearing must be held on the second Tuesday of December each year. The advertisement regarding the hearing may be a joint advertisement.

Section 46. Truth in Taxation Joint Hearing. Authorizes Nobles County, the city of Worthington, and Independent School District No. 518 of Worthington to hold a joint public hearing under the Truth and Taxation Law. The hearing is required to be held on the second Tuesday of December. The advertisement of the hearing may be a joint advertisement.

Section 47. Special Taxing Districts. Adds soil and water conservation districts to the definition of special taxing districts.

Section 48. Cruelty to Animals Special Levy. Provides that a levy by a city or county for the maintenance and support of the local society for the prevention of the cruelty to animals is a special levy. If a city or a county opts to use this special levy, the amount that it had levied in the previous levy year for this purpose must be deducted from the levy limit base of the taxing jurisdiction.

Section 49. Property Tax Statement; Ramsey County Library. Provides that for Ramsey County property tax statements, any amount levied for library purposes must be listed separately from the remainder of the county's levy.

Section 50. Petitions Involving Low-Income Rental Property. Provides that property tax petitions involving qualified low income rental housing property may include all qualifying parcels within the county owned by the petitioner. Under current law, multiple parcels in a petition must all be within the same city or township.

Sections 51 to 53. Resort Tax Due Date. Provides that property taxes may be paid on class 1c or 4c resort properties by June 15 without incurring a penalty. Under current law, the taxes must be paid by May 15. The change is effective for taxes payable in 2006 and 2007 only.

Section 54. School Referendum Tax. Imposes a tax on the income tax liability of residents of a school district in which voters approved an income tax increase at a referendum in 2006 or a subsequent year. The tax is imposed on individuals who are domiciled within the school district on the last day of the taxable year. The Commissioner of Revenue is required to determine the rate of the tax as a percentage of state income tax liability. The rate is determined as the ratio of the district's local effort revenue to the income tax liability of all individuals domiciled in the district on the last day of the taxable year. Revenue generated by the tax must be placed in a special account in the general fund to be used to make payments to the school districts.

Section 55. Cruelty to Animals Appropriation Limit. Increases the amount that the county board or city council may appropriate for the maintenance and support of societies for the prevention of cruelty to animals from 50 cents to \$1 dollar per capita.

Section 57. Uncompensated Care Reimbursement. Provides for a partial reimbursement of the cost of uncompensated care provided by qualifying hospitals in the metropolitan area. In order to qualify, a hospital must have a licensed bed capacity greater than 400 and must either be owned or operated by a local unit of government; be formerly owned by a university; or be a private nonprofit hospital that leases its building from the county in which it is located. The county is eligible for reimbursement of the portion of gross charges for uncompensated care determined by multiplying the hospital's total gross charges during the base year by its percentage of uncompensated care, subtracting one half of one percent of gross charges, dividing the result by two and then multiplying by the hospital's cost to charge ratio during the base year. The county is required to notify its county auditor by July 15 of each year of the amount of qualifying uncompensated care provided, adjusted to cost using the cost to charge ratio. The amount of qualifying uncompensated care is certified by the county auditor to the fiscal disparities administrative auditor as an addition to the fiscal disparities areawide levy. The section is effective for taxes payable in 2007 and 2008.

Section 58. Hennepin County Public Defender Cost Reimbursement. Provides that Hennepin County is eligible for reimbursement of costs incurred for public defenders. For the year ending June 30, 2006, the reimbursement is equal to 25 percent of the costs. The reimbursement increases to 50 percent for 2007. The county is required to notify its county auditor by July 15 of each year of the cost incurred. The public defender cost is certified by the county auditor to the fiscal disparities administrative auditor as an addition to the fiscal disparities areawide levy. The section is effective for taxes payable in 2007 and 2008.

Section 59. Osseo LGA. Increases the city aid base for the city of Osseo by \$250,000 in calendar years 2006 to 2015.

Sections 60 through 64. LUP Lands. Establishes a new category of land, "land utilization project land" under the law providing payments to counties for natural resources land. Under current law, this type of land, which is leased by the state from the United States through the Secretary of Agriculture under Title III of the Bankhead Jones Farm Tenant Act, qualifies for payments of 75 cents per acre within the category of "county administered other natural resources land." This section establishes a separate category for this type of land and increases the payments to \$3.00 per acre adjusted for inflation.

Sections 65 and 66. Caponi Art Park. Modifies the conditions under which the property tax and special assessment deferral will apply to the Caponi Art Park in the city of Eagan. A 1998 law provided that this property will receive the benefit of a deferral of property taxes and special assessments if certain conditions are met. First, it must continue to be owned by the current owner of the property or that owner's spouse or child. Second, the current owner, spouse or child must convey ownership of the property to a non profit foundation or corporation that will continue to operate the property as an art park by July 1, 2007. Third, that operation must continue for at least ten years after the conveyance. Under this proposal, the ownership of the property may be conveyed in part to a non profit organization and in part to a local government. Those entities may separately or jointly operate the property both as an art park and for other public purposes as determined by the local government. The special assessments must be paid in full or a payment agreement must be

entered into and approved by the city if the ownership is transferred. The county board will determine the amount of additional taxes due on the portion of the property that is no longer used as an art park, subject to city council approval. The additional taxes must not be greater than the difference between the taxes determined under the special deferral law on the portion of the property that had been used as an art park, and the amount that would have otherwise have been due during all the years when the taxes were deferred.

Section 68. Lakes Area EDA Levy. Authorizes the Lakes Area Economic Development Authority to levy a property tax as a special taxing district. Under current law, the authority requests its members to levy taxes for the benefit of the authority. The amount of the levy is not changed from current law.

Section 69. Local Approval. Extends the date by which St. Louis County is required to certify local approval of the law creating the Southern St. Louis County Special Taxing District for the Chris Jensen Nursing Home until January 1, 2006.

Section 70. Exemption for Property Used for Educational Instruction. Provides an exemption from property taxes for taxes payable in 2005 only if the property:

- (1) is used to provide direct educational instruction for grades seven through ten, pursuant to an authors amendment;
- (2) is located in a city of the first class with a population between 250,000 and 300,000;
- (3) was purchased after July 1, 2004, by a 501(c)(3) nonprofit organization; and
- (4) it is leased and operated by two nonprofit corporations.

Section 71. Education Reserve Account. Establishes an Education Reserve Account in the state treasury. Beginning with taxes payable in 2008, the Commissioner of Finance is required to deposit in the education reserve account the increase in the state general levy over the base amount of the levy for taxes payable in 2002. The amounts in the education reserve account do not lapse or cancel, but remain until appropriated for education aid or higher education funding.

Section 72. Study of Pollution Control Exemption. Requires the Commissioner of Revenue to study the property tax exemption for pollution control equipment that is part of an electric generation system. The Commissioner must present a recommendation to the legislature by January 15, 2006, limiting the exemption to property directly and exclusively used for pollution control purposes.

Section 73. Sauk River Watershed District. Authorizes the Sauk River Watershed District to levy up to 0.01 percent of taxable market value for its administrative fund.

Section 74. Commercial Industrial Land Value Taxation – Local Option. Provides that a municipality over 70,000 population or a municipality in the taconite tax relief area may adopt by

resolution a system of valuing commercial industrial property based on land value excluding improvements. The election must be made by December 31, 2005, based on a finding that converting to the land value taxation system will enhance economic development within the municipality. A municipality that makes the election must notify the Commissioner of Revenue and the legislature must enact legislation necessary to implement the system.

Section 75. Fiscal Disparities Study. Requires legislative fiscal staff to conduct a study of the fiscal disparities program that applies to the Twin Cities metropolitan area and report to the chairs of the House and Senate Tax Committees on the findings by March 1, 2006. The primary object of the study will be to address the question of whether the program is achieving the purposes from which it was created. The study must also consider how the program has affected property tax disparities in the Twin Cities metropolitan area and whether the formula for contributing tax base to the area wide pool is reasonable. The study must address whether certain commercial industrial tax bases should continue to be exempt from the contribution to the area wide pool. These exemptions include the pre 1979 commercial industrial tax base, the value of pre 1979 tax increment financing districts and property located at the Twin Cities International Airport. The study must also examine whether the formula for distributing the tax base is reasonable, whether the program helps to promote orderly growth and encourage environmentally sound land use, whether it reduces competition for commercial and industrial tax base between communities, whether this system prevents local governments from deriving sufficient commercial industrial tax revenues to cover the cost of providing services to those properties and whether improvements could be made in the administration of the program.

Section 76. Study of Fees. Requires commissioners of state agencies that impose fees on individuals or businesses to report to the Commissioner of Revenue by January 15, 2006, on the amount and type of fees imposed, amount and type of fee increases since January 1, 2003, revenues derived from each fee for the four most recent fiscal years and the uses of fee revenues. The Commissioner of Revenue is required to provide a report on all state agency fees to the Tax, Finance and Appropriation Committees of the Senate and the House of Representatives by February 15, 2006. The Department of Education is required to provide a report on fees collected under the Public School Fee Law to the Education Finance Divisions and Tax Committees of the House and Senate. Requires home rule and statutory cities to report to the Commissioner of Revenue by January 15, 2006, on the amount and type of fees imposed, amount and type of fee increases since January 1, 2003, revenues derived from each fee for the four most recent fiscal years and the uses of fee revenues.

Article 5 Local Development

Section 1. Business Subsidy. Updates the items listed in statute that are not a business subsidy by adding language providing that assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services is not a subsidy except when the assistance is paid for by expenditures of tax increments under new section 15.

Section 2. Residence. Adds a new subdivision to define “residence” as the place where an individual has established a permanent home from which the person has no current intention of moving.

Section 3. Wage and Job Goals. Amends Minnesota Statutes, section 116J.994, subdivision 4, the wage and job goals provisions for the business subsidy agreement, to require that the wage and job goals result in job creation or retention by the recipient of the subsidy within the jurisdiction of the state or local government that grants the subsidy. This section is effective August 1, 2004 and applies to subsidy agreements entered into on or after that date.

Section 4. Public Notice and Hearing. Provides that the public notice of any public meeting about a business subsidy agreement must include notice that a person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the grantor if the grantor fails to comply with requirements of the business subsidy law. No action may be filed against the grantor for failure to comply unless a written complaint is filed.

Section 5. Reports. Amends section 116J.994, subdivision 9, to require the Commissioner of Employment and Economic Development to put the business subsidy reports submitted by local and state agencies on the department Web site by October 1 of the year in which they were submitted.

Section 6. Enforcement. Allows a resident of or a person who owns a business in a jurisdiction that grants business subsidies to file a civil action for equitable relief if the grantor does not comply with the business subsidy law. The action must be filed within 180 days after a business subsidy agreement is approved. Costs and attorney fees may be awarded to the prevailing party. This section is effective August 1, 2005, and applies to subsidy agreements entered into on or after that date.

Section 7. Transfer of Ownership. Directs the Commissioner of Transportation to transfer ownership of the I 394 parking facilities to the city of Minneapolis at the earliest feasible date after receiving payment. The payment amount must be equal to the amount of state funds spent by the DOT commissioner for construction of the facilities. After assuming ownership of the facilities, the city is directed to operate them in accordance with procedures and rules in current law. The city also must assume the authority to collect fees for the use of the facilities as provided in current law. The DOT commissioner shall take no action under this section that would result in federal sanctions against Minnesota or require the repayment of any state funds to the federal government. All money received under this section shall be deposited in the trunk highway fund.

Section 8. Amends M.S. 272.0212, Sub. 1 providing exemptions to qualified property in a zone to the extent and for a period up to the duration provided by the zone designation. This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2006.

Section 9. Amends M.S. 272.0212, Sub. 2 to provide that property in a zone is not exempt from all taxes levied by a school district except school referendum levies, and allows a city to limit the

property tax exemption to a shorter period of time than the duration of the zone or to a percentage of the property taxes payable or both.

Section 10. General Obligation Bonds. Allows a housing and redevelopment authority to pledge the full faith and credit of a governmental unit for bonds issued to finance housing development projects that are owned by a limited partnership or other entity of the HRA. In order for the HRA to pledge the full faith and credit, the limited partnership or other entity would have to receive (1) an allocation from the Department of Finance or an entitlement issuer of tax exempt bonding authority for the project and receive a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for 4 percent low income housing credits, or (2) a reservation of 9 percent low income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project.

Section 11. Border City Allocations. Provides an additional border city enterprise zone allocation totaling \$1.5 million for tax reductions in border city enterprise zones in cities located on the western border of the state.

Section 12 and 18. Urban Renewal. Provides exemptions from certain general law restrictions on tax increment financing districts for areas that are established as urban renewal areas within a city. The bill defines an "urban renewal area" to be a contiguous geographic area designated within a tax increment financing project. Within that area, all parcels must be eligible for inclusion in a redevelopment, renewal and renovation, or soils condition district, or must be currently located within such a district that had been certified within ten years of the approval of the urban renewal district. Redevelopment, renewal and renovation, or soils condition districts created within an urban renewal area must be established within ten years from the city or county approval of the urban renewal area. The bill authorizes an authority to create an urban renewal area pursuant to the procedures required for approval of the original project. The authority must also obtain written approval from the county in which the urban renewal area is located. Within the area, the following tax increment financing restrictions are modified:

- first, the five year rule that restricts the period when activities related to the district must occur is extended to ten years;
- second, the pooling limitations do not apply provided that the increments must be expended on improvements or activities within the urban renewal area; and
- third, the local tax rate certification does not apply.

Section 13, 15, and 17. Tax Increment Financing Plan. These sections authorize expenditures of tax increments for job training activities.

Section 13 provides that the tax increment financing plan must identify any job training costs that are intended to be paid for by use of tax increments. The identification must include the name of the

employer whose employees will be trained, and the nature and cost of the training, but is not required to identify the provider of the job training.

Section 14 provides that the modification of a tax increment financing plan pursuant to a decision to pay for job training must follow the process required for approval of the original plan.

Section 15 provides that the annual financial report that is made for each tax increment financing district to the state auditor must include the amount expended during the year for the job training.

Section 16. Pre-1979 Districts. A city is allowed to expend increments from a pre-1979 TIF district after April 1, 2001, if the captured tax capacity of all TIF districts in the city is less than 6 percent of the city's total tax capacity for taxes payable in 2003, and if the city's population exceeds 50,000.

Section 17. Authorizes the use of tax increment financing for job training that is intended to result in new job growth within a tax increment financing district. This authorization essentially overrides the general law limitation on the use of tax increments, that is, that they must be authorized under the law that provides the powers of the authority or the municipality that is creating the district. Specific limitations on the types of expenditures that may be made in soils condition districts, economic development districts, and redevelopment districts are also overridden for this purpose. The authority may make the expenditures for the job training activities or may reimburse an employer located within the district or municipality in which the district is located for job training expenditures. The expenditures are restricted to job training programs that are approved by the local workforce council. For purposes of the restrictions on pooling of increments, the expenditure of increments for job training purposes are considered to be expended on activities within the district. This expenditure is authorized for any district created after July 31, 1979, provided that existing districts must modify their plans in order to expend the increments for job training purposes.

Section 19. Mixed-Income Occupancy Projects. Authorizes the creation of tax increment financing housing districts for developments that contain both owner occupied and residential rental units for mixed income residents. Twenty percent of the units in the development in the housing district must be occupied by individuals whose family income is no greater than 50 percent of the area median gross income and an additional 60 percent of the units must be occupied by individuals whose family income is no greater than 115 percent of the area median gross incomes. Twenty percent of the units may not be subject to any income limitations for residential rental units. The income requirements apply to rental units for the duration of the tax increment district, and to the original purchaser of owner-occupied units. The fair market value of improvements that are constructed for commercial uses or other nonhousing unit uses is limited to twenty percent of the total fair market value of the improvements in the development plan.

Section 20. Expenditures Outside District. Amends the provisions of law providing for expenditures of increment outside the district by adding language specifying that for a district created within a biotechnology and health sciences industry zone, tax increment derived may be expended

outside of the district but within the zone only for expenditure required for the construction of public infrastructure necessary to support the activities of the zone.

Section 21. Special Deficit Authority. Defines “affordable housing account” as an account in which increment is deposited solely for affordable housing activities and provides for expenditures from an affordable housing account. The section also defines “hazardous substance pollutant or contaminant remediation account” and provides for expenditures from these accounts.

Section 22. Qualified Business. Adds a provision to the JOBZ statute to provide that a business is not a qualified business for the purpose of qualifying for JOBZ benefits if at its location or locations in the zone the business is primarily engaged in making retail sales to purchasers who are physically present at the business’s zone location.

Section 23 and 24. Allows the city of Brooklyn Park to use all of the revenue generated from tax increment in any year that is not expended pursuant to a pledge given or encumbrance created before January 1, 2005 to be deposited in the housing development account of the authority. Currently the city is allowed to deposit 15 percent of the revenue from the tax increment into the housing development account. The revenue may be used for owner occupied housing or rental housing.

Section 25. Duration of District. Changes the limitation on the duration of a redevelopment district in the city of Minneapolis for a Lake Street project. Under the 1998 law that authorized this project, the duration of the district was limited to 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment in the district, subject to an additional limitation of 30 years from approval of the tax increment plan. This bill eliminates the limitation relating to 18 years from the date of receipt of the first increment from the final phase of redevelopment. The 30 year overall limit remains in effect. This extension of the duration requires the approval of the city, the school district, and the county in which the tax increment is located.

Section 26. Anoka County Regional Railroad Authority Powers. Authorizes the Anoka County Regional Railroad Authority to exercise the powers and duties of an economic development authority for transit oriented development. This authorization does not extend to the taxation powers, and does not change or impair the powers or duties of any other municipality or housing and redevelopment authority or economic authority in the area of its jurisdiction. If any economic development project is constructed in Anoka County under this authorization, the project must be approved by the governing body of the city or town in which the project is located.

Section 27. City of Brooklyn Center Tax Increment Financing. Provide that for a specific tax increment financing district created in 1994 in Brooklyn Center, the five year rule which requires certain activities to be commenced within the district within a five year period would be extended to 13 years.

Section 28. City of Brooklyn Park Tax Increment Financing. Extends the duration of the Brooklyn Park economic development district to December 31, 2020.

Section 29. City of Detroit Lakes Redevelopment Tax Increment Financing District.

Authorizes the city of Detroit Lakes, or the Detroit Lakes Development Authority, to create one or more redevelopment districts within a geographic area that is described in the bill. The district is deemed to be a redevelopment district, and all buildings that must be removed in order to facilitate the Highway 10 realignment project are deemed to be structurally substandard for purposes of the tax increment financing law. The limitation in current law that a parcel is deemed to be occupied by a structurally substandard building if it had been occupied by the building within three years of the filing of the request for certification of the parcel as part of the district is made inapplicable to this district. The authority to approve tax increment financing plans to establish any of these districts expires on December 31, 2014.

Section 30. Elgin, Eyota, Byron, and Oronoco. Allows the cities to be considered “small cities,” for purposes of the tax increment financing law, notwithstanding the existing statutory restriction that a small city must be located at least ten miles away from a Minnesota city with a population of 10,000 or more. The tax increment financing law provides that tax increment from an economic development district in a small city may be used to provide assistance for up to 15,000 square feet of any separately owned commercial facility within the small city. Cities other than small cities are restricted in the uses of tax increments from economic development districts. Those revenues may not be used to provide improvements or other assistance to developments consisting of buildings and facilities if more than 15 percent of the buildings and facilities are used for purposes other than manufacturing, warehousing, research and development related to the manufacturing or warehousing, telemarketing, tourism facilities, qualified border retail facilities or space necessary for those activities.

Section 31. City of Fairmont: Tax Increment Financing District. Authorizes the city of Fairmont to elect to reduce the original tax capacity of a previously tax exempt parcel in a tax increment district in the city to the value of the land alone.

Section 32. City of Fergus Falls: Economic Development Property. Applies the provision that allows a property tax exemption for property held by a political subdivision for later resale for economic development purposes to the city of Fergus Falls as if the city had a population of 5,000 or less. For property located in a city of 5,000 population or less, outside of the metropolitan area, the holding period is up to 15 years; for other cities, the maximum holding period is eight years.

Section 33. Richfield Tax Increment Financing District. Authorizes the city of Richfield or its housing and redevelopment authority to create a tax increment financing district in a specifically defined area west of Highway 77. The district will be a redevelopment district and generally defined expenditures of tax increments in the district will be deemed to be incurred for correcting conditions that allow the designation of redevelopment districts. Additionally, this district would be exempt from the A five-year rule@ under which activities must be undertaken within the district within a five-year period in order to be acceptable under the antipooling provision of the law.

Section 34. St. Michael TIF. Authorizes the city of St. Michael to establish a redevelopment tax increment financing district within a described area, including the downtown and town center areas,

as well as all parcels adjacent to Highway 241 within the city. The bill provides that this district will be considered a redevelopment district, notwithstanding the requirements that would ordinarily apply to the area to be designated as a redevelopment district. The bill provides that tax increments from this district may be used for land acquisition, removal of buildings in the highway right of way acquisition area, and other costs incurred by the city of St. Michael in the expansion and improvement of Highway 241 within the city. Thus, the expenditures would not be subject to the usual restrictions in the tax increment financing law that provide that the revenues must be used for the general purposes of the authority, as well as the requirement that within a redevelopment district, 90 percent of the revenues must be used to finance the cost of correcting conditions that allow designation of the area as a redevelopment district. The limitation on the amount of acreage that may be acquired and held by a redevelopment agency at any one time is made inapplicable to this project.

Section 35. St. Paul TIF Sub Districts. Authorizes the Housing and Redevelopment Authority of the city of St. Paul to divide four of its tax increment financing districts into a specified number of subdistricts.

Each subdistrict would then be treated as a separate tax increment financing district.

Section 36. Wabasha TIF. Authorizes the governing body of the city of Wabasha to extend the duration of a redevelopment tax increment financing district by up to an additional five years. The requirement that certain activities must be undertaken in a tax increment financing within a five year period from the date of certification will be considered to be met if the activities are undertaken within ten years from the date of certification. The bill authorizes the city of Wabasha to spend the proceeds of tax increment bonds issued before January 1, 2000, to pay the cost of acquiring and constructing a National Eagle Center in the city. The city may also use tax increments to pay the debt service on the bonds or any bonds issued to refund them, although the pooling restrictions would apply to these increments. The duration extension will require the approval of the city, the county board, and school board.

Section 37. JOBZ Expenditure Limits and Audits. Requires the commissioners of revenue and employment and economic development to estimate the total amount of tax expenditures projected to have been obligated for all JOBZ projects that have been approved before June 1, 2005. The estimate must be completed by September 1, 2005. This section further provides that if the revenue commissioner determines that the estimated amount of tax expenditures for fiscal years 2005 2007 exceeds \$13,780,000, the commissioner of revenue must inform the chairs of the House and Senate Tax Committees. The section also directs the Tax Increment Financing, Investment and Finance Division of the Office of the State Auditor must annually audit the creation and operation of all JOBZ zones and business subsidy agreements.

Section 38. Repealer. Repeals the exemption from M.S. 273.1399 for the Brooklyn Park economic development tax increment financing district. That section of statute was itself repealed in 2001.

Article 6
Public Finance

Section 1 authorizes local governments to make investments of public funds in guaranteed investment contracts that are issued or guaranteed by the domestic affiliates of any of the entities with which guaranteed investment contracts are currently authorized as investments for local governments.

Section 2 provides that levies for the purposes of storm sewer improvement districts established by a municipality are treated as special levies which would be exempt from levy limitations. Levy limits are currently not in effect, but the intention of this provision is that if they were to be reimposed, the list of special levies would continue in effect.

Section 3 increases the maximum term of capital notes issued by a county from five to ten years. The requirement that the term not extend beyond the expected useful life of the item that is purchased with the proceeds of the notes remains in effect. This section also clarifies the provision which allowed the use of county notes for purchases of computer software that was enacted in 2003. This description of eligible purchases extends to software, whether bundled with machinery or equipment, or unbundled, together with application developments, services, and training related to the use of the computer or the software. The July 1, 2005, sunset on the use of this funding for computer software purchases is eliminated.

Sections 6 and 7 make the same changes for cities.

Sections 4 and 18-20 modify punctuation in several provisions in order to provide a technical clarification of the availability of financing for the acquisition of development rights in the form of conservation easements.

Section 5 allows a county to waive the requirement for performance bonds or accept another form of financial guarantee in any amount acceptable to the county if the solid waste improvement project is partially or fully funded by the county and the county is not liable for financial acceptance until performance guarantees or other standards established under the agreement have been satisfied.

Section 8 extends the deadline for creation of special service districts without special laws from June 30, 2005, to June 30, 2009.

Section 9 extends the sunset date for the establishment of housing improvement areas without special legislation from June 30, 2005, to June 30, 2009.

Section 10 enables municipalities to make improvements in areas that are the subject of an orderly annexation agreement to which the municipality is a party. The municipality may then reimburse itself for the cost of the improvement by levying assessments on the property that has been annexed.

Section 11 expands the ability of a municipality to impose assessments upon properties that abut, but had not previously been assessed for, improvements. Under current law, this ability is limited to water, storm sewer, and sanitary sewer improvements. This provision would expand the authority to all of the local improvements for which assessments are currently authorized. The usual notice and hearing requirements that apply to assessments would apply to these later imposed assessments.

Section 12 extends the maximum maturity date of general obligation revenue bonds issued by Housing and Redevelopment Authorities. Under current law, the maximum maturity is 30 years from the estimated date of completion of the project. This provision would extend the maturities to 35 years from the date of issuance for obligations sold to finance housing for the elderly, which is typically not subject to income limitations, and 40 years for other obligations issued by an HRA.

Section 13 extends the maximum maturity of bonds issued to finance dormitories or other types of student housing to 40 years from the date of issue.

Section 14 authorizes the metropolitan council after July 1, 1002 to issue certificates of indebtedness, bonds or other obligation of up to \$64 million for capital expenditures prescribed in the regional transit master plan and transit capital improvement program.

Section 15 increases from \$3 million to \$5 million the amount of bonding authority available from the public facilities pool for applications for public facilities projects to be financed by the Western Lake Superior Sanitary District.

Section 16 changes the time when a penalty applies for a lack of a notice for the issuance of bonds that are part of a series of obligations. Under current law, the penalty applies if the notice is not issued within five days after issuance, or before the last Monday in December, whichever occurs first. Under this revision, the penalty would apply with five business days after issuance, or before 4:30 p.m. on the last business day in December, whichever occurs first.

Section 17 exempts obligations that are issued to pay judgments against a municipality from the net debt limits.

Sections 21-24 modify provisions in the section that enables cities to enter into a capital improvement bond program. The authority that is provided under current law to cities is extended to towns. The definition of capital improvement that would qualify for this financing is extended to include town halls and libraries. The requirement that the bonds issued under this program are subject to the net debt limits is limited to municipalities with populations of 2,500 or more. The limitation on the amount of debt that may be issued under this program is changed. When the law was enacted in 2003, the limit was erroneously set at 0.05367 percent of taxable market value of property in the county; it had been intended to refer to that proportion of the taxable market value property in the city issuing the bonds. This provision changes the limitation to 0.16 percent of the taxable market value of property in the municipality. If municipalities join together to build a shared facility, the limitations on the amount of bonds that may be issued, and the net debt that is considered

to be attributable to the bonds will be allocated to each participating municipality in proportion to its financial contribution to the facility.

Section 25 modifies the provision that authorizes issuance of obligations without an election for street reconstruction. It provides that turn lanes and other improvements that have a substantial public safety function, realignments, modifications to intersect with state and county roads, and the local share of state and county road projects, are included within the definition of street reconstruction. Financing for those types of projects may also include the portion of the project costs that is allocable to widening a street or adding curbs and gutters where none previously existed.

Section 26 authorizes the city of Saint Paul to participate in the creation of a nonprofit organization for the operation of the RiverCentre complex. The mayor, with the approval of the city council, must appoint a majority of the members of the governing board of the nonprofit organization. The mayor will also designate two members of the city council to serve on the governing board. The city is authorized to enter into an agreement with this nonprofit organization to equip, manage, maintain, and operate all or a portion of the RiverCentre complex and to manage and operate a convention bureau that would market and promote the city as a tourist or convention center. Contracting and expenditures by the nonprofit organization are subject to the direction of the governing board and other conditions that the city may prescribe in a contract made between the city and the nonprofit organization. The nonprofit organization is authorized to use the services of the city attorney and the city's purchasing department. Its activities are deemed to be for a public purpose. The city is required to protect the rights of holders of bonds issued for the RiverCentre complex including preserving the tax exempt status of the bonds. The use and operation of the RiverCentre complex is deemed to be for municipal purposes and the complex will be exempt from taxation to the extent that it would be exempt if the complex was operated by the city. The receipts from tickets and admissions to events at the complex that are sponsored by the nonprofit organization do not qualify for the sales tax exemption that applies to certain tickets sold to entertainment events by nonprofit organization. The nonprofit organization will be subject to the Minnesota Open Meeting law and the Government Data Practices act. The nonprofit organization is a successor to all the rights and privileges of the RiverCentre authority and will be treated as a municipality under the Municipal Tort liability law.

Section 27 authorizes the Minnesota Housing Finance agency to enter into an agreement with the Higher Education Services Office under which the Higher Education Services Office issues up to \$50 million of qualified student loan bonds that would be issued under bonding authority that was allocated to the Minnesota Housing Finance agency in 2004. Bonding authority that is carried forward by the Minnesota Housing Finance agency from its 2004 allocation is exempt from the requirement that bonding authority must be issued by the December 31 of the following calendar year.

Section 28 specifies that section 14 dealing with metro transit bonds applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Section 29 Repealer.

Section 30 is the effective date, which is the day following final enactment for all provisions of the bill.

Article 7 Minerals; Aggregate

Section 1 provides that property that is used in the business of mining, other than taconite and aggregate, would be exempt from taxation. The exemption extends to deposits of ores, metals, and minerals and the lands in which they are contained as well as real and personal property used in mining, producing, or refining the ores, minerals, or metals and the land on which that property is located.

Section 2 provides that businesses engaged in producing or refining nonferrous metals or minerals are exempt from the corporate franchise tax and individual income taxes.

Section 3 excludes income of a mining operation subject to the net proceeds tax from the income of a unitary business of which it is a part.

Section 4 excludes the apportionment factors associated with any entity's exempt activities from the apportionment formula.

Section 5 provides a sales tax exemption for mill liners, grinding rods, and grinding balls that are consumed in the production of ores, metals, or minerals. Current law provides this treatment for these items used in the production of taconite.

Section 6 provides a definition of "refining" for purposes of the chapter dealing with minerals taxation.

Section 7 provides a definition of "a precious minerals tax relief area," which is composed of 13 school districts in northeastern Minnesota.

Section 8 expands the scope of taxpayers subject to the occupation tax to include persons engaged in the business of refining ores and also persons engaged in the business of mining or producing metals or minerals. This would include the application of the hydrometallurgical processes.

Section 9 provides that sales of nonferrous metals and minerals are deemed to be sales outside of Minnesota if they are transported out of the state for further processing or refining by the person engaged in the mining if the ores, metals, or minerals have been converted to a marketable quality before they have been transported out of the state. Transfers of ores, metals, or minerals are deemed to be sales within the state if they are received by a purchaser at a point within the state and the taxpayer is taxable in the state.

Section 10 provides that the taconite and iron mining companies will not be subject to the alternative minimum tax.

Section 11 increases the rate of the occupation tax on nonferrous mining from two to four percent.

Section 12 provides that the deductions in the computation of the net proceeds tax are the same as those used under the occupation tax.

Section 13 amends the definition of “metal or mineral products” used in the gross proceeds tax to refer to “ores, metals, and minerals” rather than “mineral and energy resources.”

Section 14 provides for distribution of the proceeds of the tax paid on the nonferrous minerals within the precious minerals assistance area. The current law distribution of 20 percent to a group of school districts where the nonferrous minerals are mined is stricken; instead, a distribution of 30 percent to the state general fund to represent the portion of the tax that is in lieu of the state general tax is provided. The 20 percent distribution to be used for taconite homestead credit is stricken and the distributions to the Douglas J. Johnson economic protection trust fund and the taconite environmental protection fund are each increased from five to ten percent.

Section 15 imposes a 12 percent royalty tax on royalties paid for nonferrous minerals.

Section 16 modifies the purpose of the taconite environmental protection fund by restricting distributions for local economic development projects to projects approved by the IRRR Board.

Section 17 provides that 2005 and 2006 production will be taxed at the rate in effect for 2004, suspending the escalator. For taxes payable in 2006 through 2008, the three-year averaging provision that applies to the computation of the taconite production tax will be suspended. This section also provides that no tax will be imposed for the first two years of a plant’s commercial production of direct reduced ore. “Commercial production” is defined as production of more than 50,000 tons of direct reduced ore per year. Under current law, this exemption applies to the first two years of the plant’s production without regard to the level of that production.

Section 18 provides that the five cent per ton distribution to the taconite environmental fund, which was terminated after 2003 distributions, will resume in 2005, and continue for later years.

Section 19 provides that beginning with distributions in 2005, except for distribution to certain school districts in current law, the amount of increased taconite production tax proceeds in 2005 that is attributable to the escalator that applies to the tax rate will be annually distributed to the grant and loan fund created in section 20.

Section 20 establishes a new grant and loan fund. The grants or loans from this fund must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board. Distributions in calendar year 2005 are allocated to the City of Virginia for improvements and repairs to the city’s steam heating system. Distributions in 2006 are allocated to a project of the public utilities commissions of the cities of Virginia and Hibbing to convert their electrical generating plants to use of biomass products. Distributions in 2007 will be used for highway, bridge, and marina projects in the city of Tower. Distributions in 2008 and later years will be allocated to joint

ventures with mining companies for reclamation of lands containing abandoned or worked out mines.

Section 21 amends the definition of operators that are subject to the tax on aggregate materials to provide an exemption for persons engaged in transactions in which the aggregate is moved within a project's construction limits to other locations within that same construction area.

Section 22 authorizes counties or towns to exempt operators from the aggregate production tax if the operator has removed less than 2,500 tons or 1,750 yards of aggregate from the county in the year and no other operator has removed material from the same site that year.

Section 23 authorizes the commissioner of Iron Range Resources and Rehabilitation to issue \$15,000,000 of revenue bonds and use the proceeds to make grants to schools in the taconite tax relief area and the taconite assistance area. The grants would be used for health, safety, and maintenance projects, and would be available only to schools that had levied the maximum amount for those purposes.

Section 24 provides that alternative minimum tax credits that a taxpayer has at the end of 2004 may be taken against the occupation tax.

Section 25, paragraph (a), repeals the alternative minimum tax and the alternative minimum tax credit under the occupation tax.

Paragraph (b) repeals the specific deductions and limitations on deductions under the net proceeds tax.

Article 14 Miscellaneous

Section 1. Tax Preparers. Recodifies provisions describing who is subject to regulation as a tax preparer.

Section 2. Tax Preparers Itemized Bills. Modifies the requirement relating to itemized bills from tax preparers so that it applies only to tax preparers who provide services for a fee, and strikes the requirement of a separate statement of the charge for electronic filing.

Section 3. Tax Preparers Administrative Penalties. Provides that administrative penalties imposed on tax preparers are public data.

Section 4. Tax Preparers Exchange of Data. Requires the State Board of Accountancy to refer to the Commissioner of Revenue any complaints it receives about tax preparers who are not subject to the board's jurisdiction.

Section 5. Tax Preparers Exchange of Data. Enables the Lawyers Board of Professional Responsibility to refer to the Commissioner of Revenue complaints it receives about tax preparers who are not subject to the board's jurisdiction.

Section 6. Tax Preparers Exchange of Data. Allows the Commissioner of Revenue to refer complaints about tax preparers to the State Board of Accountancy or the Lawyers Board of Professional Responsibility if the tax preparer is under the jurisdiction of one of those boards.

Section 7. Tax Preparers Private Data. Provides that information shared under sections 4 through 6 is private until a penalty is imposed.

Section 8. Tax Preparers Exemptions. Provides that attorneys, accountants, and enrolled agents are not subject to the requirement of preparing an itemized bill for tax preparation services, and fiduciaries are exempt from the itemized bill requirement and the refund anticipation loan requirement.

Section 9. Tax Preparers Penalty Publication. Requires the Commissioner of Revenue to publish a list of tax preparers who have been subject to penalties. Thirty days before publishing the name of a tax preparer who has been subject to a penalty, the commissioner must mail a written notice to the tax preparer. Publication is prohibited if the commissioner is in the process of reviewing or adjusting the penalty or if the commissioner has been notified that the tax preparer is deceased. The commissioner is required to publish a retraction and apology to any tax preparer whose name has been included on the list in error and who requests an apology.

Section 10. Technical. Makes technical changes.

Section 11. Paper Filing Fee. Provides that tax preparers who prepared more than 100 returns in the previous calendar year must file all returns electronically in the current year. Under current law, the electronic filing requirement applies to preparers who file more than 500 returns in the prior year. Preparers who fall under this requirement must pay a \$5 fee for each paper return filed.

Section 12. Tax Preparers Suspension. Authorizes the Commissioner of Revenue to terminate or suspend a tax preparer's authority to transmit returns electronically if the commissioner determines that the tax preparer has engaged in a pattern and practice of conduct in violation of the regulations of tax preparers.

Section 13. Early Payment-E-file Claims. Authorizes the Commissioner of Revenue to pay property tax refund claims up to 30 days earlier than the current deadline if the claim is submitted electronically.

Section 14. Motor Vehicle Leases. Provides that a retail sale occurs for most leases of licensed motor vehicles when the lease is executed. For leases of vehicles with a gross weight rating greater than 10,000 pounds and leases of vehicles for not more than 28 days, a retail sale occurs each time period when an obligation to make a lease payment becomes due. Currently, all leases of motor

vehicles are treated as a series of sales with multiple obligations and sales tax is due on each lease payment when it becomes due.

Section 15. Sales Tax on Cigarettes. Provides a sales tax exemption for the sale of cigarettes that are subject to a new tax which is imposed upon the sale of cigarettes by distributors to retailers and cigarette subjobbers.

Section 16. Motor Vehicle Lease Price. Provides that the sales price for the lease of a motor vehicle is the total amount of consideration to be paid during the term of the lease. The section provides how to calculate the sales price when charges are determinable at the time that the lease is executed and when the lease is open ended.

Sections 17-19 and 25. Out of State Tobacco Retailers. Defines "out of state retailer" as a person engaged outside of this state in the business of selling or offering cigarettes or tobacco products for sale to consumers located in Minnesota. This provision requires retailers to file a statement with the Department of Revenue with the retailer's name, trade name and address and requires the retailer to report to the commissioner of revenue the name and address of the purchaser and the brand or brands and quantity of tobacco products sold. Requirements for accepting orders for shipping and delivery sales are imposed on tobacco retailers.

Section 20. Bad Debt. Clarifies when the offset against the cigarette tax for bad debts may be claimed and that any recovery of the debt must be reimbursed to the Commissioner.

Section 21. Cigarette Sales Tax. Provides for a tax on the sale of cigarettes from distributors to retailers and subjobbers. The tax is imposed at 6.5 percent of the weighted average retail price determined by surveying cigarette retailers statewide.

Section 22. Insurance Taxes. Clarifies that the current law rate of 1.26 percent of gross premiums less return premiums applies only to insurance companies that sell both property and casualty insurance.

Section 23. Insurance Premiums Tax. Reduces the life insurance premiums tax rate to 1.5 percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance.

Section 24. Misrepresentation of Employee Status. Prohibits employers from misrepresenting the nature of its employment relationship with its employees, and from coercing employees to aid in a misrepresentation of their employment status.

Sections 26 and 27. Collection of Unpaid Service Charges. Extends the ability of a town to impose a service charge for emergency services, including fire, rescue, medical, and related services provided by the town or contracted for by the town. Current law authorizes the town to impose a service charge on the owner, lessee, or occupant of property within its jurisdiction for a government service that was provided by the town. This bill would extend the ability to impose those services

to nonresidents. The town board would certify to the county auditor of the county in which the recipient of the services owns real property, and the unpaid service charge would then be collected together with property taxes levied against the property and would be remitted to the town that provided the services.

Section 28. Compacts. Authorized the commissioner of revenue to enter into compact agreements with other states to eliminate retaliatory insurance premiums tax provisions between Minnesota and other states.

Section 29. Floor Stocks Tax. Creates a floor stocks tax on all persons engaged in the business in this state of selling cigarettes as distributors, retailers, subjobbers, vendors, manufacturers or manufacturers' representatives who have stamped cigarettes and unaffixed stamps in their possession on August 1, 2005.

Article 9

Department of Revenue

Individual Income and Corporate Franchise Tax

Section 1. Electronic Payment of Refunds. Requires corporations to include information on a return that is necessary for the commissioner to make the payment of the excess taxes paid by electronic means. Effective for returns filed after December 31, 2005.

Section 2. Bonus Depreciation Included on Composite Returns Filed by Partnerships, "S" Corporations, and Trusts for Nonresident Individual or Trust Partners, Shareholders or Beneficiaries. Allows a trust which is a partner, shareholder, or beneficiary to be included on a composite return which fulfills the Minnesota income filing requirement of the nonresident owner for the flow-through income. Further, this section clarifies that the bonus depreciation addition coming from the flow-through entity is included on the Minnesota composite return. Finally, this section provides that a subtraction for bonus depreciation can be taken on the composite return to the extent the owner would have been entitled to the subtraction had the owner filed their own Minnesota return. Effective for tax years beginning after December 31, 2004.

Section 3. Fractional Year Returns of Unitary Corporations. Permits the filing of a fractional year return of a corporate member of a unitary group of corporations on the same date as the unitary group's corporate return is due. Effective for fractional years closing after December 31, 2004.

Section 4. Federal Tax Changes. Includes corporate franchise tax returns among the returns that must be filed by a taxpayer when the taxpayer is notified of federal returns. The amendment corrects an oversight, as the operative provisions in the first sentence of the section clearly apply to corporate franchise taxpayers. Effective the day following final enactment.

Section 5. Electronic Payment of Refunds. Authorizes the Commissioner to request that corporations include information on a claim for refund that is necessary for the commissioner to

make the payment of the refund by electronic means. Effective for claims for refund filed after December 31, 2005.

Section 6. Addition for Expenses for Income Taxable Federally but Not by Minnesota. Provides that the addition for expenses attributable to interest on U.S. obligations is not required under this section. Instead the expenses are netted from the gross interest in computing the subtraction for U.S. interest in a change proposed in the next section. This section also changes the language describing “income taxes paid to another state” to be more consistent with other provisions in Minn. Stat. ch. 290. Effective for tax years beginning after December 31, 2004.

Section 7. Subtractions from Federal Taxable Income. Eliminates the subtraction from federal taxable income for post service benefits which are no longer paid (last benefit available was paid in 2002) to volunteer workers in the federal Youth Community Service program. Also the subtraction for individuals who have had to add-back federal bonus depreciation is modified to allow individuals who are owners of stock of a “C” corporation which added back bonus depreciation and has now converted to an “S” corporation to claim a pro rata share of the corporation’s remaining bonus depreciation subtraction. Finally, this section provides that the subtraction for interest on U.S. government obligations is the net interest rather than the gross interest. The addition in Minn. Stat. § 290.01, subd. 19a(5) for expenses attributable to income Minnesota does not tax is also changed to prevent the double counting of these expenses. The elimination of the Youth Works subtraction and subtraction for U.S. interest income is effective for tax years beginning after December 31, 2004. The change to the bonus depreciation subtraction is retroactively effective to tax years beginning after December 31, 2001.

Section 8. Corporations; Additions to Federal Taxable Income. Deletes an obsolete reference, because by the terms of the federal law the environmental tax was effective for tax years beginning after December 31, 1986, and before January 1, 1996. The tax addition has had no effect for tax years beginning after December 31, 1995. Effective the day following final enactment. Adds a citation to the subdivisions of Internal Revenue Code § 168 that allow the depreciation deduction that is the subject of the Minnesota additions to federal taxable income. Effective the day following final enactment.

Section 9. Income Taxes Paid to Other States. Makes the language describing income taxes paid to another state more consistent within Minn. Stat. ch. 290. Also corrects the cite to Minn. Stat. § 290.01, subd. 7 (definition of resident) in the credit for taxes paid another state caused by 2001 legislation which changed the paragraphs in Minn. Stat. § 290.01, subd. 7. Effective for tax years beginning after December 31, 2004.

Section 10. Education Credit Cite to Education Code. Changes the citation in the education credit to the list of curriculum areas of study for which fees for instruction qualify for the education credit. The changes are needed because 2003 education legislation changed where the list is found in Minn. Stat. ch. 120B from 120B.02 to 120B.021 and 120B.022. Effective for tax years beginning after December 31, 2004.

Section 11. Cross Reference to Cooperatives Organized Under Chapter 308B. Updates a cross reference for purposes of corporate franchise tax to be the same regardless of whether the coops are organized under chapter 308A or the new chapter 308B. For purposes of this statute, it is immaterial whether a coop is organized under 308A or 308B. Effective for taxes payable in 2004 and thereafter.

Sections 12 and 13. Estate Tax Computation and Deduction for State Death Taxes. Provides that in computing the Minnesota estate tax which is based on “federal taxable estate” the “federal taxable estate” is adjusted for the Minnesota computation by not allowing a deduction for the state death taxes incurred by the estate. State death taxes become deductible in computing the federal taxable estate beginning with estates of decedents dying after December 31, 2004. This Minnesota change prevents a circular computation of both the federal and Minnesota taxes. Effective for estates of decedents dying after December 31, 2004.

Section 16. Repealer. Repeals Minnesota Rules parts 8093.2000 and 8093.3000. Part 8093.2000, Contents of Declaration of Estimated Tax, was promulgated to give guidance for corporate taxpayers subject to the estimated tax provisions of Minn. Stat. § 290.931. Minn. Stat. § 290.931 has been replaced by Minn. Stat. § 289A.26 which clearly sets forth requirements for corporations computing estimated tax. Part 8093.3000, Extension of Time for Filing Declarations by Corporations, was promulgated pursuant to Minn. Stat. § 290.932, subd. 4, which permitted the commissioner to grant a reasonable extension of time for filing a declaration of estimated tax. This subdivision of the statute was repealed in 1990.

Article 10
Department of Revenue
Property Taxes

Sections 1, 35, 46-48, 50, and 51. Population Estimates. Amends Minn. Stat. § 4A.02 and enacts the new section 473.24, to provide procedures and revised dates by which the Metropolitan Council and State Demographer must annually produce estimates of population and household size for cities, towns, and counties. Amends Minn. Stat. §§ 276A.01, subd. 7, and 473F.02, subd. 7, to specify that the annual population estimates used for purposes of the fiscal disparities programs are the estimates produced according to the new amended § 4A.02 or § 473.24. Amends § 477A.011, subds. 3 and 38, to specify that the annual population and household estimates used for purposes of the local government aid program for cities under § 477A.013 are the estimates produced according to the amended § 4A.02 or the new § 473.24. Amends Minn. Stat. § 477A.0124, subd. 2, relating to county program aid, for the same reasons. Sets July 15 (was July 1) as the new cut-off date for when the estimates become final for these purposes. Effective the day following final enactment.

Section 2. Manufactured Homes Personal Property Taxes. Clarifies the requirement added in 2003 that certain outstanding personal property tax amounts must be paid for a purchaser to obtain a new certificate of title for a manufactured home. The 2003 change requires “taxes levied on the unit in the name of (the seller)” to be paid prior to issuing a new certificate. The proposed changes will clarify that these include taxes payable in the current year. Effective the day following final enactment.

Section 3. Reporting Range Area Fiscal Disparities Values. Specifies that the assessment abstracts submitted to the commissioner of revenue include the range area fiscal disparities contribution values, rather than continuing to collect this data under the commissioner's general power to specify the information needed from local officials. Effective the day following final enactment.

Section 4. Quintile Assessments. Refers to one-fifth of the parcels rather than one-fourth. In 2003 when Minn. Stat. § 273.01 was amended to require at least one-fifth of parcels listed to be appraised each year rather than one-fourth, other statutes referring to a quartile assessment were amended to refer to a quintile assessment, and this section was inadvertently omitted. Effective the day following final enactment.

Sections 5, 8-14 and 25. Cross References to Existing Property Tax Exemptions. Several new subdivisions which cross reference existing property tax exemptions found in other statutes are added to Minn. Stat. §§ 272.02, 272.01, subd. 2, and 273.19, subd. 1a. The exemptions deal with leased housing and redevelopment authority property, cooperative farming agreements, property subject to taconite production tax or net proceeds tax, religious corporations, children's homes, housing and redevelopment authority property, tribal housing authority property, redevelopment projects, property owned by the Spirit Mountain Recreation Area authority and property of regional rail authorities. These are cross references to existing laws and do not create new exemptions. All cross references are effective the day following final enactment.

Sections 6 and 7. Institutions of Purely Public Charity. Remove obsolete references to repealed provisions and to insert statements which clarify that government rent assistance and government contract payments are not donations or gifts for the purposes of this exemption. Section 6 is effective the day following final enactment, and Section 7 is effective for taxes payable in 2004 and thereafter.

Section 15. Definition of Installed Capacity. Adds a new subdivision which defines "installed capacity" as "generator nameplate capacity" for purposes of determining qualification for utility personal property exemptions. Generator nameplate capacity is a standard definition used in the electric generator industry. Effective the day following final capacity.

Section 16. Annual Reporting Dates for Wind Energy Production Tax (WEPT). Moves up annual reporting dates for WEPT from March 1 to February 1. Earlier filing of production reports from owners of these systems will allow the deadline for the Department of Revenue to notify companies and counties to be moved up from March 31 to February 28. The earlier notification of current year tax amounts will help townships to better anticipate WEPT revenues for the following year when adopting levies in March. Effective for reports and certifications due in 2006 and thereafter.

Section 17. New Distribution Formula for Wind Energy Production Tax (WEPT). The current statute distributes WEPT revenues in the same proportion as current year tax rates and includes the state in the distribution. The change would use set percentages of 80% to counties, 14% to

cities/townships, and 6% to school districts beginning with distribution in 2006. The proposal also clarifies that beginning with distributions in 2004 and 2005 the state is not included in the distribution. Effective the day following final enactment.

Sections 18-20. Cross References to Cooperatives Organized under chapter 308B. Updates cross references to allow property classification/homestead exemption eligibility for coops to be the same regardless of whether the coops are organized under chapter 308A or the new chapter 308B. For purposes of these statutes, it is immaterial whether a coop is organized under chapter 308A or 308B. Effective for taxes payable in 2004 and thereafter.

Sections 21 and 23. Agricultural Homesteads for Entity-Owned Land. Clarifies that in order to receive an agricultural homestead classification under this subdivision, limited liability companies must operate a "family farm" as defined in Minn. Stat. § 500.24. Effective the day following final enactment. Amends Minn. Stat. § 273.124, subd. 21(3) allowing certain trust-held property to qualify for the homestead classification. It will now be a requirement under this clause that the person actively farming the trust-held land be a qualified relative of the person who created the trust. Effective for taxes payable in 2006 and thereafter.

Section 22. Homestead Penalties and Property Tax Refund Information. Changes the penalty amounts associated with the existing "failure-to-notify" homestead penalty and the existing penalty for fraudulent homesteads. Also adds a new penalty for homestead benefits obtained or retained through taxpayer negligence. Effective for penalty determinations made on or after July 1, 2005. Also adds a new paragraph to this statute requiring the counties to provide the commissioner with certain information by electronic means on or before April 30 each year, beginning in 2006. This information can be used to verify the accuracy of homeowner property tax refund claims under Minn. Stat. ch. 290A.

Section 24. Determination Dates for the Blind/Disabled Homestead Classification. Amends Minn. Stat. § 273.1315 to provide that an applicant's blind or disabled status must be established by July 1 of the assessment year in order for the property to be eligible for this classification. Effective the day following final enactment.

Section 26. Utility and Railroad Appeals. Clarifies two procedural matters for Tax Court appeals of property taxes involving state-assessed utility and railroad properties: (1) The case must be brought against the commissioner of revenue in Ramsey county; and (2) There must be one petition that includes all parcels in the state owned by the petitioner for which the petitioner claims the value or tax is incorrect. Effective for petitions filed on or after September 1, 2005.

Sections 27 and 28. Local Boards of Appeal and Equalization. Clarify that local boards of equalization and review have until the meeting dates in 2006 to achieve training requirements related to that year, and to provide that the annual December 1 deadline for documenting attainment of training and quorum requirements relates to meeting the requirements of the current year rather than the prior year. Also clarifies that these requirements for local boards began in calendar year 2005. Effective the day following final enactment.

Section 29. County Board Meeting Dates. Deletes obsolete language. Current law states that the County Board of Equalization may meet on any ten consecutive meeting days in June after the second Friday in June “if the actual meeting dates are contained on the valuation notices.” Actual meeting dates are now required to be on the valuation notices, so the stricken language, limiting the Board meetings to the last ten business days of June, is superfluous. Effective the day following final enactment.

Section 30. Date to Certify Levies and Tax Rates. Changes the date by which county auditors must certify levy and tax rate information to other county auditors with respect to taxing jurisdictions that cross county boundaries. Current law sets this date at September 20. This is not workable because school districts do not certify their levies until September 30. The proposal changes the date to October 5. Effective the day following final enactment.

Section 31. Disparity Reduction Aid Levy Adjustment. Removes duplicative language. Minn. Stat. § 275.07, subd. 1, reduces the levy for Disparity Reduction Aid (“DRA”), and Minn. Stat. § 275.08, subd. 1c, makes the same adjustment to tax rates. The levy-reduction language is stricken because the purpose of DRA is to reduce the disparity in local tax rates, not levies. Effective the day following final enactment.

Section 32. Reporting Special Levies on Surveys. Allows the commissioner to exclude special levy information from the information reported on the levy surveys required under this statute. Effective the day following final enactment.

Section 33. State Aids Shown on Property Tax Statements. Updates the state aid amounts to be listed on the statement as those the state pays to reduce property taxes. References to “HACA” were previously eliminated, following the repeal of that aid in 2003. However, the remaining reference to aids under all of Minn. Stat. ch. 477A is over inclusive and is being changed to reference only the aids provided under §§ 477A.011 to 477A.014. The aids provided in that range of statutes include: (i) local government aid for cities under § 477A.013; and, (ii) county program aid under § 477A.0124. Effective the day following final enactment.

Section 34. Transmittal of State Property Tax Levy Receipts. Requires that county treasurers transmit the state’s share of property tax receipts from the first half of the year, on or before June 28, rather than on or before June 29. This is necessary to insure that property taxes are transmitted to the state within the fiscal year of receipt by the county, even during years in which the deadline falls on a Saturday. Effective the day following final enactment.

Section 36. Tax Forfeited Property; Prohibited Purchasers. Clarifies that the prohibitions in this statute preventing county auditors, treasurers, court administrators, assessors, and the other county officers and employees from purchasing tax forfeited land only apply to tax forfeited land in the county for which they perform duties. Effective the day following final enactment.

Section 37. Apportionment of Forfeited Tax Sale Fund Net Proceeds. Changes the annual apportionment of net proceeds in each county’s forfeited tax sale fund. Under a provision enacted

in 2003, the first claim on net proceeds in the fund are the amounts necessary – if any – to pay the state general property tax levies (payable in 2004 and thereafter) on any parcel that was sold or rented-out during the year. This amendment eliminates the state’s share. Effective the day following final enactment for state general tax levy amounts payable in 2004 and thereafter.

Section 38. Taxability of Certain Forfeited Lands Upon Sale. Under this statute, when tax-forfeited lands located in one of the reforestation areas created in 1931 or 1933 are classified by the county board as suitable for agricultural use, such lands become taxable for the next assessment year following the sale. This conflicts with the general provisions in Minn. Stat. § 272.02, subd. 38(c), under which all other tax-forfeited lands become taxable for the current assessment year when sold. Minn. Stat. § 282.15 is being made to conform to § 272.02, subd. 38(c). Effective for sales occurring on or after July 1, 2005.

Sections 39-41. Tax Forfeited Land; Duties of the Commissioner of Finance, Natural Resources and Revenue. Clarify the duties of the commissioners of finance, natural resources, and revenue with respect to issuing a conveyance for tax forfeited land under Minn. Stat. ch. 282. Effective the day following final enactment.

Section 42. Electronic Filing of Certificates of Rent Paid. Authorizes the commissioner to require owners or managing agents to submit through electronic means a copy of each certificate of rent paid by April 15 of the year following the year in which the rent was paid. The changes apply to owners or managing agents who issue 100 or more certificates for rent paid in 2006, 25 or more certificates for rent paid in 2007, and 5 or more certificates based on rent paid in 2008 or thereafter. Effective beginning with certificates issued for rent paid in 2006.

Section 43. Senior Citizens' Property Tax Deferral Program. Allows a deferral of any amount billed on the property tax statement for the property, subject to the existing dollar amount limitations of the program. Effective for amounts deferred in 2006 and thereafter.

Section 44. State May Guarantee County Building Debt. Changes the state aid payments to counties that may be off-set if the state pays a debt service obligation on behalf of the county under this program. References to (i) homestead and agricultural credit aid (“HACA”); (ii) county criminal justice aid; and, (iii) family preservation aid for counties are replaced by references to county program aid under Minn. Stat. § 477A.0124. Effective for aid payable in 2005 and thereafter.

Section 45. Border City Development Zone Property Tax Reimbursements. Changes the date by which city officials must certify the amount of its tax credit allocation that it wishes to use to reimburse the county and/or city for property tax reductions granted under the program. The current deadline is October 1 of the assessment year. The new deadline will be October 1 of the taxes payable year. The payment date for the reimbursements (December 26 of the taxes payable year) will remain the same. Effective for reimbursements of taxes payable in 2005 and thereafter.

Sections 49, 54 and 55. 2003 Tax Act Changes. The following are clean up provisions related to the 2003 tax act. Amends Minn. Stat. § 477A.011, subd. 36, to clarify the “city aid base” definition

under the "local government aid" program for cities. Amends 2003 Minn. Laws, 1st Spec. Sess., ch. 21, art. 5, sec. 13, to clarify city aid reductions for 2004. Amends 2003 Minn. Laws, 1st Spec. Sess., ch. 21, art. 6, sec. 9, to clarify county aid reductions for 2004. Section 49 is effective for aids payable in 2004 and thereafter, and sections 54 and 55 are effective for aids payable in 2004.

Sections 52 and 53. Property Tax Proceeds to State by Electronic Funds Transfer. Amends the effective dates for 2003 Minn. Laws, ch. 127, art. 5, sections 27 and 28, to make those effective dates consistent with the effective date for section 29 of that act. These sections deal with the transmission of property tax collections to the state by electronic funds transfer. No specific effective dates are provided, therefore, these two sections will take effect on either July 1 or August 1, 2005 according to the provisions of Minn. Stat. § 645.02.

Section 56. Authority for Townships in Lincoln and Pipestone Counties to Change 2004 Tax Levies. Provides an uncodified provision which retroactively authorizes changes made to 2004 tax levies by three townships in Lincoln and Pipestone Counties to reflect Wind Energy Production Tax (WEPT) revenues. Effective for taxes payable in 2004.

Section 57. Repealer.

Repeals Minn. Stat. §§ 273.19, subd. 5, 274.05, 275.15, 275.61, subd. 2, and 283.07 because they are obsolete. Effective the day following final enactment.

Repeals Minn. Stat. § 469.1794, subd. 6. Minn. Stat. § 469.1794 allows up to a four-year duration extension for tax increment financing ("TIF") districts that existed prior to August 1, 2001; and which now have deficits, as defined in the section, due to the 2001 property tax reforms. Subdivision 6 allows up to an additional two-year duration extension conditioned on approval by the commissioner of revenue. Effective the day following final enactment for those districts eligible under Minn. Stat. § 469.1794.

Repeals 2003 Minn. Laws, ch. 127, art. 9, sec. 9, subd. 4, and 1975 Minn. Laws, ch. 287, sec. 5, to eliminate the option for the Alexandria Lake Area sanitary sewer district and the recently created Central Lakes Region sanitary sewer district to levy property taxes on an alternative tax base that includes only 25% of the net tax capacity of agricultural property. Effective without local approval for taxes payable in 2006 and thereafter.

Article 11
Department of Revenue
Sales and Use Taxes

Section 1. Omission of Use Tax. Clarifies that if a taxpayer omits an amount in excess of 25 percent from a use tax return, the period for assessing additional taxes is extended to 6½ years. Currently the statute only references sales and withholding tax returns. Effective the day following final enactment.

Section 2. Time Limitation for Assessments. Adds a subdivision that extends the time for the commissioner to make an assessment when a purchaser refund claim is filed for tax improperly paid on an improvement to realty or on the purchase of nontaxable services. Currently the tax must be assessed on the seller within 3½ years of the sale but this provision would provide that the assessment may be made within 3½ years of the sale or within one year after the date of the refund order, whichever is later. Effective for purchaser refund claims filed on or after July 1, 2005.

Section 3. Definition of “Bad Debt.” Clarifies that while the definition of “bad debt,” for purposes of refund claims that relate to overpayment attributable to a loss from a bad debt, in general has the same meaning as used federally, the exclusions listed are only for claims relating to an overpayment of taxes under Minn. Stat. ch. 297A. The definition of “bad debt” passed during the 2003 legislative session as part of the Streamlined Sales Tax project, and is effective for “sales and purchases made on or after January 1, 2004.” Arguably, however, the definition of bad debt, with exclusions, is effective on or after July 1, 2003 for taxes other than sales tax. Therefore, the effective date of this section is on or after January 1, 2004, for sales tax, and on or after July 1, 2003, for all other taxes.

Sections 4 and 5. Time Limitation on Refund Claims. Provide that capital equipment and purchaser refund claims must be filed within 3½ years from the 20th day of the month following the month of the invoice date of the purchase. Effective for refund claims filed on or after the day following final enactment.

Section 6. Sale and Purchase. Clarifies that dietary supplements are a taxable food item. This provision also clarifies that lodging is exempt if a person has a written agreement to stay in a specific facility for a continuous period of 30 days or more and the agreement requires a prior notice to terminate the agreement. Effective the day following final enactment.

Section 7. Purchases for Resale. Provides that items purchased for resale must be purchased to be resold, subleased or sub rented in the regular course of business of the purchaser. The normal course of business is defined in Minn. Stat. § 297A.61, subd. 21, as activities that demonstrate a commercial continuity or consistency of making sales or services for the purpose of attaining profit or producing income. Effective the day following final enactment.

Section 8. Vehicle Rental Tax and Fee. Clarifies that if a vehicle rental is exempt from the general state sales tax it is also exempt from the rental motor vehicle tax and fee. Effective the day following final enactment.

Section 9. Sourcing of Watercraft, Aircraft, Modular Homes, Manufactured Homes, or Mobile Homes. Clarifies that this section covers the sourcing for watercraft, aircraft, modular homes, manufactured homes, or mobile homes. While the Streamlined Sales Tax Agreement provides that member states are not required to apply the sourcing rules to these items, Minnesota does so. Effective the day following final enactment.

Section 10. Sourcing of Transportation Equipment Purchases. Includes “aircraft that are operated by air carriers” that transport “persons or property in interstate commerce” and “containers

designed for use on and component parts attached or secured on” the transportation equipment listed in the sourcing and definition of transportation equipment. These items are included in the definition of transportation equipment in the Streamlined Sales Tax Agreement, and were inadvertently omitted from the 2003 legislation. This section is effective for sales and purchases made on or after January 1, 2004, to be consistent with the effective date of the language from the 2003 legislative session.

Section 11. Dietary Supplements. Clarifies that dietary supplements are a food or food ingredient but that they are not an exempt food or food ingredient. Effective for sales made on or after the day following final enactment.

Section 12. Industrial Production. Clarifies that materials and supplies used or consumed in providing services added to the sales tax base in 1987 do not qualify for the industrial production exemption. The amendment would clarify that these services are not considered to be tangible personal property for purposes of this exemption. Effective the day following final enactment.

Section 13. Capital Equipment. Clarifies that machinery and equipment used in providing services added to the sales tax base in 1987 and machinery and equipment used primarily in the furnishing, preparing, and serving of prepared food by restaurants does not qualify as capital equipment. This amendment would clarify that these services and prepared foods are not considered to be tangible personal property for purposes of this exemption. The amendment also corrects a reference to equipment used primarily in providing online data retrieval services that was inadvertently omitted during recodification. The provision corrects an inadvertent 2003 legislative drafting error and clarifies that repair parts for ready-mixed concrete trucks qualify as capital equipment. Both the purchase and lease of ready-mixed concrete trucks are currently exempt from sales tax. Effective the day following final enactment.

Section 14. Telecommunications Equipment. Clarifies that the exemption for telecommunications equipment does not apply to machinery and equipment used to provide the services in paragraph (c) of section 297A.61, subdivision 24, which are specifically listed as not being included within the definition of telecommunications services. Effective the day following final enactment.

Section 15. Preexisting Construction Contracts and Bids. Provides that transition period for preexisting construction contracts and construction bids also applies to tax rate increases in addition to sales tax base changes. Effective the day following final enactment.

Section 16. Local Sales Tax Sourcing. Provides that sourcing provisions for general local sales taxes are the same as the sourcing provisions that apply to the state general sales tax. Effective for sales made on or after January 1, 2004.

Section 17. Local Sales Tax Exemptions. Provides that there is exemption from local sales taxes for advertising materials and packing materials that are placed in the U.S. Mail for delivery outside the local jurisdiction, given to a common carrier for delivery outside the local jurisdiction or delivered outside the local jurisdiction in the seller’s vehicle. This provision would make the

exemption for local sales tax consistent with the exemption for the state sales tax which exempts advertising materials and packing materials when they are delivered outside Minnesota. Effective the day following final enactment.

Section 18. Repeal of Obsolete Sales and Use Tax Rules. Repeals the following sales and use tax rules that are obsolete or that merely duplicate statutory language: Minnesota Rules, parts 8130.0110, subp. 4; 8130.0200, subps. 5 and 6; 8130.0400, subp. 9; 8130.1200, subps. 5 and 6; 8130.2900; 8130.3100, subp. 1; 8130.4000, subps. 1 and 2; 8130.4200, subp. 1; 8130.4400, subp. 3; 8130.5200; 8130.5600, subp. 3; 8130.5800, subp. 5; 8130.7300, subp. 5; and 8130.8800, subp. 4. Effective the day following final enactment.

Article 12
Department of Revenue
Special Taxes

Section 1. Mortgage Registry Tax Exemption. Amends Minn. Stat. § 287.04 which sets forth exemptions to the mortgage registry tax to reference Minn. Stat. § 193.147 which deals with armories. Effective the day following final enactment.

Sections 2 and 3. MinnesotaCare; Blood and Blood Components. Add a new subdivision to Minn. Stat. § 295.50 defining “blood components.” The amendment clarifies that only blood components, not blood derivatives, are exempt from the tax on legend drugs. Blood derivatives are derived from blood, plasma, or serum through a chemical manufacturing process. This change is consistent with Minn. Stat. § 151.44(a)(9) which excludes blood and blood components, not blood derivatives, from the definition of wholesale drug distribution. Effective for gross revenues received after December 31, 2004.

Section 4. FEHBA Co-payments. Clarifies that enrollee deductibles, coinsurance, and co-payments are subject to the MinnesotaCare tax. Payments received under the Federal Employees Health Benefits Act (FEHBA) remain exempt from tax. Effective for enrollee deductibles, co-insurance, and co-payments received on or after the day following final enactment.

Section 5. Fur Tax. Allows estimated payments to be made based on the actual gross revenues received during the quarter. Under current law, taxpayers are required to make equal quarterly estimated payments based on 90% of the current year liability or 100% of the previous year liability. Effective for gross revenues received after December 31, 2004.

Section 6. Aviation Fuel Tax Exemption for Ambulance Service. Adds a new subdivision to provide an exemption for ambulance service from the aviation fuel tax. There already are exemptions set forth in Minn. Stat. §§ 296A.07 and 296A.08 from gasoline and special fuel tax for ambulance service licensed under Minn. Stat. ch. 144E. Effective for purchases made on or after July 1, 2005.

Section 7. Petroleum Tax Penalty Abatement. Adds a new subdivision to provide general penalty abatement authority and a time frame for making appeals of penalty abatement denials. This section is effective for penalties imposed on or after the day following final enactment.

Section 8. Linked Bingo Game Distributor. Includes a linked bingo game provider which will have the effect of requiring reporting of sales of gambling product. Effective the day following final enactment.

Section 9. Linked Bingo Game Gambling Product. Includes linked bingo paper sheets in the definition of gambling products. Effective the day following final enactment.

Section 10. Linked Bingo Game Definition. Defines "linked bingo game". Effective the day following final enactment.

Section 11. Linked Bingo Game Provider. Defines linked bingo game provider. Effective the day following final enactment.

Section 12. Business Records. Provides that business records include copies of new electronic checks. See Public Law 108-100, section 3, signed October 28, 2003. Effective July 1, 2005.

Section 13. Inspection Rights. Gives the commissioner of revenue the authority to inspect the place of business of a linked bingo game provider and the authority to inspect the books, records, and other documents required to be kept by this chapter. Effective the day following final enactment.

Section. 14. Cigarettes in Interstate Commerce. Clarifies that the reports are only required in relation to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states. Effective the day following final enactment.

Section 15. Bond Requirement. Adds a new subdivision to provide authority to require a bond from cigarette distributors. Effective the day following final enactment.

Section 16. Cigarette Tax Return; June Acceleration. Clarifies the return due dates for those distributors subject to the accelerated payment requirements. Effective the day following final enactment.

Section 17. Tobacco Products Tax Return; June Acceleration. Clarifies the return due dates for those distributors subject to the accelerated payment requirements. Effective the day following final enactment.

Section 18. Liquor taxes; Quarterly or Annual Returns and Payments. Allows for quarterly or annual rather than monthly liquor tax returns and payments in certain situations. Effective for tax returns and payments due on or after January 1, 2006.

Section 19. Reinsurance. Adds a new subdivision 13a, to define reinsurance. Effective the day following final enactment.

Section 20. Health Maintenance Organizations, Nonprofit Health Service Plan Corporations, and Community Integrated Service Networks. Deletes obsolete language and clarifies that the insurance premiums tax is imposed on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise. This change was recommended by the Revisor's Office. It restores language that was inadvertently omitted from the law following separate changes made in the 2000 insurance tax recodification bill and the 2000 Omnibus tax bill. Effective January 1, 2005.

Section 21. Repealer. Repeals a lawful gambling tax provision dealing with allocation of payments since Minn. Stat. § 270.652 already deals with allocation of payments. Effective the day following final enactment.

Article 13
Department of Revenue
Electronic Payments

Sections 1 to 7. Uniform Dollar Threshold for Paying Taxes, Fees, and Surcharges Electronically. Establish a uniform tax liability threshold of \$10,000 or more per year before a taxpayer is required to make payments electronically for that tax type in the following year. Applies to all tax types that currently utilize a dollar threshold. Individual income, estate, fiduciary, and airflight property taxes are excluded. Occupation taxes and gambling taxes from organizations conducting lawful gaming, tax types not previously included, will now be paid electronically. All the existing threshold requirements in the various tax statutes are repealed. The threshold is phased in over a period of two years, starting with \$20,000 for 2006 and \$10,000 for 2007. Effective for payments due in calendar year 2006 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2005, and in fiscal years thereafter.

Article 14
Department of Revenue
Miscellaneous

Section 1. Delegations of Authority. Provides that the delegations of authority granted by a commissioner remain in effect until revoked by that commissioner or a successor commissioner. Effective the day following final enactment.

Section 2. Taxpayer Rights Advocate Assumes Duties of Case Reviewer. Transfers the duties of the case reviewer for the collection of non-tax debts to the taxpayer rights advocate, and authorizes the advocate to issue debtor assistance orders if the advocate determines that the manner in which the state debt collection laws are being administered will create an unjust and inequitable result for the debtor. Effective the day following final enactment.

Section 3. Date of Assessment of a Consent Agreement. Adds language to the date of assessment statute that in the case of a consent agreement under Minn. Stat. § 270.67, subd. 3, when the taxpayer is agreeing to a change in tax as the result of an audit, the date of assessment is the notice date shown on the consent form signed by the taxpayer. Effective the day following final enactment.

Section 4. Offer in Compromise Deposit Requirement. Provides that taxpayers making compromise proposals pursuant to the section must submit a nonrefundable deposit of \$250.00 when making the proposal. The deposit will be applied to the compromise amount if the compromise is accepted and to the taxpayer's tax debts if the compromise is rejected. There is a provision for waiver of the deposit requirement in cases of financial hardship. The amendment is effective for offers submitted after August 31, 2005.

Section 5. Transcription of Liens to the Secretary of State. Provides that state tax liens filed in a county may be transcribed to the secretary of state. Effective the day following final enactment.

Section 6. Extension to File Estate Tax Return. Changes the extension to file a Minnesota estate tax return from an extension based on reasonable cause to an automatic extension upon a timely request. Effective for estates of decedents dying after December 31, 2004.

Section 7. Recalculation of Separate Spouse Liability. Provides that the commissioner need not recalculate separate liability for an ex-spouse where the tax period was first due six years or more before the date of the request or where the remaining unpaid liability to recalculate is \$100 or less. Effective for requests for relief made on or after day following final enactment.

Section 8. Sending Orders of Assessment by Electronic Mail. Provides that notice of an order of assessment can be sent by electronic mail to the taxpayer's electronic mailing address, as set forth in the Uniform Electronic Transactions Act. Effective the day following final enactment.

Section 9. Penalty for Extended Delinquency. Provides that for any tax covered by chapter 289A, a penalty will be imposed for failure to file a tax return within 30 days after a written demand for filing the return is given to the taxpayer. The penalty shall be five percent of the tax not paid prior to the demand for filing the return or \$100, whichever amount is greater. Effective for returns originally due on or after August 1, 2005.

Section 10. Civil Fraud Penalty. Clarifies that the imposition and calculation of the 50 percent civil fraud penalty is the same for someone who fails to file a return with intent to evade tax as it is for someone who files a fraudulent return. Effective the day following final enactment.

Section 11. Penalty for Submitting Incorrect Employee Withholding Exemption Certificate to Employer. Modifies the standard for imposing the \$500 penalty on an employee giving an employer an incorrect withholding tax exemption certificate. Currently, the penalty is imposed if the employee has reason to know the certificate contains a materially incorrect statement. Under the change the penalty would be imposed if the employee has no reasonable basis for the statement.

This change would make the Minnesota standard for imposing the penalty parallel to the standard for imposing the federal penalty. Effective for certificates filed after December 31, 2005.

Section 12. Personal Liability Standard for Withholding Tax. Clarifies the definition of employer in the withholding tax law to mean someone who has control, rather than “legal” control, over the payment of wages, so that both legal and actual control are covered. This makes the personal liability standard in the withholding tax statute consistent with the general standard of personal liability for trust taxes as set forth in Minn. Stat. § 270.101. Effective the day following final enactment.

Section 13. Annual Certification. Clarifies how claimants who fail to send in the annual certification by the due date, are treated. Adds a cross reference to Minn. Stat. § 290C.11 (penalties). Current language requires that land be removed from the program immediately upon failure to return the annual certification by the due date. This language makes it clear that failure to return an annual certification is treated the same way as any other program violation. The change codifies current practice, which is not to immediately remove the claimant from the program. Effective the day following final enactment.

Section 14. Sustainable Forestry; Length of Covenant. Clarifies the sustainable forest covenant by dealing with the length of the covenant in one section. As currently provided in Minn. Stat. §§ 290C.04 and 290C.10 the covenant remains in effect for a minimum of 8 years, unless an exception applies. The new section explains how the 4-year waiting period in Minn. Stat. § 290C.10 functions and explains how to determine when the covenant ends. Effective the day following final enactment.

Section 15. Sustainable Forestry; Acquisition of Land for a Public Purpose. Allows early withdrawal of land from the program if a government entity or any other entity that has the power of eminent domain acquires title or possession for a public purpose. The proposed change also clarifies that when land is acquired in this manner, only the land acquired is removed from the program and land not so acquired remains in the program. The current language allows early withdrawal from the program “in cases of condemnation for a public purpose”. Effective the day following final enactment.

Section 16. Unfair Cigarette Sales Act. Repeals language authorizing revocation of licenses since this is under the commissioner of revenue’s authority, not the department of commerce. Effective the day following final enactment.

Section 17. Metropolitan Solid Waste Landfill Fee Penalty. Clarifies that the penalty provisions related to the metropolitan solid waste landfill fee are those applicable to the corporate franchise taxes. This is similar to the change recently enacted to the hazardous waste generator tax. Effective the day following final enactment.

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8:40 meetings

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Dollars in 1000's

Bill #	Author	List	Fund	Senate			Senate			
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Income Tax										
Corporate										
1624	Marty	2004 B	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
2945	Moua	2004 C	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	2004 C	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
Individual										
2171	Scheid	2004 C	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2683	Rest	2004 C	AMT: Full Charitable Deduction, Dependent Exemption Deduction; Increase Exemption Amounts and Phaseouts	GF	(25,600)	(29,500)	(55,100)	(33,600)	(37,300)	(70,900)
			Increase Top Rate from 7.85% to 8 Percent	GF	11,500	37,400	48,900	39,200	42,000	81,200
2702	Ortman	2004 C	K-12 Credit- Remove Family Limit on Maximum Credit	GF	0	(450)	(450)	(470)	(490)	(960)
1659	Pogemiller	2005 C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,640)	(2,200)	(3,840)	0	0	0
Federal Conformity										
			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	GF	(960)	(970)	(1,930)	(980)	(990)	(1,970)
			Working Families Tax Relief Act							
			Uniform Definitions for Child Care	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Combat Pay in Earned Income for EIC	GF	(80)	0	(80)	0	0	0
			Deduction for Teacher Expenses	GF	(2,400)	0	(2,400)	0	0	0
			Other Provisions	GF	(1,310)	90	(1,220)	55	45	100
			Other Federal Conformity also in SF 1209--Am. Jobs. Creation Act (this is for information only--dollars not included in total of this bill)	GF	8,580	12,185	20,765	19,620	17,465	37,085
Corporate Franchise, Individual Income Tax, and Federal Conformity Total				GF	(21,754)	2,591	(19,163)	2,251	1,250	3,501
Sales and Special Taxes										
2654	Stumpf	2004 C	Geothermal Equipment Sales Tax Exemption (7/1/05)	GF	(950)	(1,050)	(2,000)	0	0	0
3011	Rosen	2004 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	GF	1,500	1,560	3,060	1,620	1,690	3,310
2850	Sams	2004 C	Exemption for Movie and Television Productions (7/1/05)	GF	(450)	(490)	(940)	0	0	0
	Ortman		Exemption for Public Safety Radio Construction Inputs (7/1/06)	GF	0	0	0	(2,050)	(30)	(2,080)
3044	Betzold	2004 C	Commuter Rail Construction Sales Tax Exemption (7/1/05)	GF	(4,300)	(4,300)	(8,600)	0	0	0
3045	Betzold	2004 C	Diesel Fuel Sales Exemption for Commuter Rail	GF	0	0	0	0	(20)	(20)
1703	Solon	2004 C	Duluth Personal Rapid Transit Construction Inputs Exempt (7/1/08)	GF	0	0	0	0	(200)	(200)
			Waste Recovery Facility Exemptions: (7/1/05)							
1956	Kiscaden	2004 C	Olmstead County	GF	0	(745)	(745)	(813)	(68)	(881)
	Murphy	2004 C	Red Wing	GF	0	(70)	(70)	(13)	0	(13)
	Pogemiller	2004 C	Minneapolis	GF	(70)	(190)	(260)	0	0	0
1706	Solon	2004 C	Construction Inputs Exemption St. Mary's Hospital Only	GF	(61)	0	(61)	0	0	0
2969	Kubly	2004 A	Construction Sales Tax Exemption/Turkey Litter Biomass	GF	(800)	0	(800)	0	0	0
	Stumpf	2004	Thief River Falls--retroactive construction exemption for arena	GF	(350)	0	(350)	0	0	0
753	Ortman	2005	Upfront Tax Payment on Vehicle Leases (in Misc. Article)	GF	18,921	19,749	38,670	5,609	744	6,353

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
753	Ortman	2005	Tobacco Tax Change Compliance (In Misc Article) Payment Shift	GF GF	2,250 5,800	2,700 0	4,950 5,800	2,700 0	2,700 0	5,400 0
405	Dibble	2004 B	Exempt State and Local Government Fuel-Efficient Vehicles from MV Sales Tax	GF	(16)	(18)	(34)	(20)	0	(20)
1190	Tomassoni	2005 C	Virginia and Hibbing Biomass	GF	(470)	(1,055)	(1,525)	0	0	0
848	Kierlin	2005 C	Chatfield Wastewater Treatment Plant Construction Inputs Exempt.	GF	(160)	0	(160)	0	0	0
1571	Rest	2005 C	Prepared Meats Exemption	GF	(325)	(795)	(1,120)	(815)	(840)	(1,655)
Total Sales Tax				GF	19,909	14,596	34,505	6,218	3,976	10,194
Property										
103	Cohen	2004 C	LMV Provision Combined Estimate (Pay 2006)	GF	0	(3,390)	(3,390)	(2,830)	5,550	2,720
2908	Sams	2004 C	Permanent Limited Market Value at 2005 Formula	GF	0	0	0	0	0	0
		2004 C	LMV for Class 1c Homestead Resorts: PTR Cost	GF	0	0	0	0	0	0
			<i>Property Tax Refund Provisions:</i>							
2890	Vickerman	2004 B	A. Wind Energy Conversion System Land Valuation	GF	0	0	0	Negl.	Negl.	Negl.
			B. Exemption for Electric Generating Facilities:							
2532	Murphy	2004 A	Cannon Falls	GF	0	0	0	(80)	(80)	(160)
2988	Robling	2004 A	Shakopee	GF	0	0	0	(35)	(35)	(70)
2564	Day	2004 A	Faribault	GF	0	0	0	(13)	(13)	(26)
2676	Berglin	2004 C	Sears Site Biomass	GF	0	0	0	0	(15)	(15)
2969	Kubly	2004	Poultry Litter Biomass	GF	0	0	0	0	(30)	(30)
			C. Valuation Exclusion for:							
2652	Pogemiller	2004 A	Sewage Treatment System Improvements	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
2436	Higgins	2004 B	Lead Hazard Reduction	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1081	Pogemiller	2005 A	Mold Contamination	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
			D. Special Valuation Treatment for:							
2958	Hottinger	2004 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	2004 A	E. Sauk River Watershed Levy	GF	0	(7)	(7)	(9)	(11)	(20)
2943	Senjum	2004 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)
		2005	Special assessments in senior property tax deferral	GF	0	(19)	(19)	(25)	(32)	(57)
779	Skoe	2005 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	(729)
Aids and Credits										
1667	Saxhaug	C 2004	LUP Land Payments at \$3 Per Acre Market Value Credit Savings from .7 ETR (not adjusted for SF 1209 MVC Changes)	GF GF	0 0	(295) 0	(295) 0	(303) 1,440	(311) 1,440	(614) 2,880
955	Langseth	2005	Border City Enterprise Zone Allocation	GF	(1,500)	0	(1,500)	0	0	0
		2004	Increased Equalization Aid Cost from Debt Service Levies on MV	GF	0	0	0	0	(360)	(360)
Total Aids and Credits				GF	(1,500)	(295)	(1,795)	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	2004 C	Insurance Premium Tax Reduction to 1.5% (1/1/06) Rate of 1.26% for Companies Selling Both Property And Casualty (CUNA) 1/1/06	GF GF	(3,300) 90	(8,400) 240	(11,700) 330	(8,700) 250	(9,000) 250	(17,700) 500
		2005	Fur Tax (from Dept. Bill)	GF	(25)	0	(25)	0	0	0
		2005	Frequency of Liquor tax Collections from Dept. Bill	GF	(25)	0	(25)	0	0	0
Total Miscellaneous				GF	(3,280)	(8,160)	(11,420)	(8,450)	(8,750)	(17,200)

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Dollars in '1000's

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
Grand Total General Fund			GF	(6,445)	5,596	(849)	(2,324)	1,556	(1,268)
Non-General Fund Items:									
Dedicated Funds									
405	Dibble		HUTD	(10)	(11)	(21)	(12)	0	(12)
			MF	(7)	(8)	(15)	(9)	0	(9)
			GMTF	(1)	(1)	(2)	(1)	0	(1)
2881	Kleis		SR	280	310	590	330	360	690
						0			0
Total Other Funds				262	290	552	308	360	668

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Other Items with Non-Monetary or Negligible Financial Impact										
2003 and 2004 Bills to Tax 2										
168	Ruud	2004 A	Bemidji Sales Tax--Parks, Trails	GF	0	0	0	0	0	0
321	Ruud	2003	Delaying Property Tax Due and Penalty Accrual Dates for Resorts	GF	0	0	0	0	0	0
573	Bakk	2003	City of Proctor Sales Tax	GF	0	0	0	0	0	0
675	Day	2003	City of Medford Sales Tax	GF	0	0	0	0	0	0
742	Skoe	2003	Park Rapids Sales Tax	GF	0	0	0	0	0	0
774	Ourada	2004 C	Clearwater Sales Tax: Parks, Trails, Community Center	GF	0	0	0	0	0	0
830	Ourada	2004 A	St Michael TIF for Highway 241	GF	0	0	0	0	0	0
961	Lourey	2004 C	Cloquet Sales Tax: Park, Sewer, Landfill	GF	0	0	0	0	0	0
961	Lourey	2003	Cloquet Sales Tax	GF	0	0	0	0	0	0
996	Rest	2004 C	State Levy on Land Value of C/I	GF	0	0	0	0	0	0
1003	Bakk	2003	Beaver Bay Sales Tax	GF	0	0	0	0	0	0
1145	Tomassoni	2003	Extending Terms of Certificates of Indebtedness	GF	0	0	0	0	0	0
1175	Anderson	2004 C	Internet, Phone, Mail Cigarette Sales	GF	0	0	0	0	0	0
1229	Rest	2003	TIF: Affordable Housing	GF	0	0	0	0	0	0
1360	Bakk	2003	Hermantown Sales Tax Expanded Use	GF	0	0	0	0	0	0
1394	Tomassoni	2003	Mining and Refining Nonferrous Ores, Metals, Minerals	GF	0	0	0	0	0	0
1502	Kiscaden	2004 A	TIF: Remove Mile age Restriction	GF	0	0	0	0	0	0
1505		2003	Uncompensated Care Reimbursement	GF	0	0	0	0	0	0
1542	Rosen	2004 B	Fairmont TIF for Historic Post Office Restoration	GF	0	0	0	0	0	0
1675	Moua	2004 B	Ramsey County Library Levies on Truth in Taxation Notice	GF	0	0	0	0	0	0
1701	Bakk	2004 A	Proctor Lodging Tax: 3% for Train, Plane Preservation	GF	0	0	0	0	0	0
1731	Kierlin	2004 C	Winona Sales Tax for Transportation Improvements	GF	0	0	0	0	0	0
1826	Rest	2004 A	TIF for Job Training	GF	0	0	0	0	0	0
1919	Hottinger	2004 A	Property Tax Exemption for Mankato 300 MW Electrical Gen.	GF	0	0	0	0	0	0
1925	Kleis	2004 C	Waite Park Sales Tax--Airport and Roads	GF	0	0	0	0	0	0
1983	Scheid	2004 B	Brooklyn Center TIF	GF	0	0	0	0	0	0
2049	Kiscaden	2004 C	Rochester Sales Tax Expand Use for higher ed/regional roads	GF	0	0	0	0	0	0
2105	Bakk	2004 A	Taconite Production Tax/50K ton Production	GF	0	0	0	0	0	0
2117	Lourey	2004 A	Homestead for Daycare	GF	0	0	0	0	0	0
2261	Murphy	2004 B	Wabasha TIF for Bald Eagle Center	GF	0	0	0	0	0	0
2278	Moua	2004 A	Multiple Housing TIF	GF	0	0	0	0	0	0
2302	Pogemiller	2004 A	HRA G.O. Bonds	GF	0	0	0	0	0	0
2303	Pogemiller	2004 A	Mpls. Sears TIF	GF	0	0	0	0	0	0
2314	Belanger	2004 A	Tax Court/Comm. On Judicial Selection Rec.	GF	0	0	0	0	0	0
2353	Stumpf	2004 A	K-12 Article 1, Section 15: Tax Notice Language	GF	0	0	0	0	0	0
2431	Rest	2004 A	Publicly Traded Partnerships Exempt from Withholding	GF	0	0	0	0	0	0
2457	Betzold	2004 A	Anoka County Regional RR Authority:EDA Power	GF	0	0	0	0	0	0
2528	Pogemiller	2004 A	Electronic Filing Requirements	GF	0	0	0	0	0	0
2546	Murphy	2004 B	Eliminate Utility Pollution Control Exemption: Study	GF	0	0	0	0	0	0
2547	Murphy	2004 A	Legislative OK Required of New Utility Valuation Rules	GF	0	0	0	0	0	0
2576	Bakk	2004 C	Aggregate Production Tax Change Operator Definition	GF	0	0	0	0	0	0
2633	Belanger	2004 A	Fiscal Disparities Study	GF	0	0	0	0	0	0
2674	Hottinger	2004 B	Business Subsidies Act	GF	0	0	0	0	0	0
2682	Limmer	2004 C	Osseo LGA Increase of \$250K	GF	0	0	0	0	0	0
2704	Sparks	2004 A	Albert Lea Sales Tax for Lake Improvements	GF	0	0	0	0	0	0
2716	Moua	2004 C	DOR Policy Bill: Artc. 3 Sec. 10-12	GF	0	0	0	0	0	0
2719	Langseth	2004 B	Detroit Lakes TIF	GF	0	0	0	0	0	0
2734	Murphy	2004B	Exempt Limited Flea Market Sales (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2875	Day	2004 C	Waseca Sales Tax for lakes, community center, downtown	GF	0	0	0	0	0	0
2900	Tomassoni	2004B	Exempt Donated Meals (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2921	Hottinger	2004 B	Mankato Sales Tax Use Expansion	GF	0	0	0	0	0	0
2927	Sams	2004 A	Lakes Area EDA	GF	0	0	0	0	0	0
2970	Larson	2004 B	Larson: ED for Fergus Falls	GF	0	0	0	0	0	0
2983	McGinn	2004 A	Caponi Art Park Special Assessment/Property Tax Defer	GF	0	0	0	0	0	0
2991	Vickerman	2004 A	Pipestone/Lincoln Wind Energy Due Dates	GF	0	0	0	0	0	0
2998	Betzold	2004 B	TIF for Urban Renewal	GF	0	0	0	0	0	0
3014	Marko	2004 A	Cottage Grove Peaking Facility Personal Property Exemption	GF	0	0	0	0	0	0
3020	Kleis	2004 A	St. Cloud Area Sales Tax and Liquor and Food Tax	GF	0	0	0	0	0	0
	Pogemiller	2004	DOR Compliance Gap Closure Language	GF	0	0	0	0	0	0
	Pogemiller	2004	School Referenda on Income Base	GF	0	0	0	0	0	0
	Pogemiller	2004	Downtown Golf Dome	GF	0	0	0	0	0	0
	Pogemiller	2004	JOBZ Limits	GF	0	0	0	0	0	0
	Olson	2004	Polo Grounds	GF	0	0	0	0	0	0
	Chaudhary	2004	Employee Status Misrepresentation	GF	0	0	0	0	0	0
	Wiger		RiverCentre Sales Tax Amendment	GF	0	0	0	0	0	0

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
2005 Bills to Tax 2									
<u>A List</u>									
176	Saxhaug	A	GF	0	0	0	0	0	0
344	Stumpf	A	GF	0	0	0	0	0	0
812	Gaither	A	GF	0	0	0	0	0	0
823	Moua	A	GF	0	0	0	0	0	0
833	Sams	A	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
854	Scheid	A	GF	0	0	0	0	0	0
867	Johnson,Dean	A	GF	0	0	0	0	0	0
971	Pogemiller	A	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1002	Anderson	A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1053	Vickerman	A	GF	0	0	0	0	0	0
1077	Belanger	A	GF	0	0	0	0	0	0
1081	Pogemiller	A	GF	0	0	0	0	0	0
1087	Moua	A	GF	0	0	0	0	0	0
1132	Murphy	A	GF	0	0	0	0	0	0
1183	Ruud	A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1256	Bakk	A	GF	0	0	0	0	0	0
1341	Bakk	A	GF	0	0	0	0	0	0
1484	Moua	A	GF	0	0	0	0	0	0
1419	Ranum	A	GF	0	0	0	0	0	0
1497	Pogemiller	A	GF	0	0	0	0	0	0
1605	Kierlin	A	GF	0	0	0	0	0	0
1683	Pogemiller	A	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1685	Pogemiller	A	GF	0	0	0	Unknown	Unknown	Unknown
				0				0	0
				0				0	0
<u>B List</u>									
26	Solon	B	GF	0	0	0	0	0	0
551	Larson	B	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
1008	Wergin	B	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
1786	Skoe	B	GF	0	0	0	0	0	0
<u>C List</u>									
1338	Belanger	C	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1476	Sams	C	GF	(800)	(5,520)	(6,320)	(6,070)	(6,180)	(12,250)
1659	Pogemiller	C	GF	(4,100)	(5,500)	(9,600)	(6,400)	(7,400)	(13,800)
<u>D List</u>									
561	Marty	D	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
<u>E List</u>									
1336	Marty	E	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Tax 2 By Revenues and Expenditures										
Revenues/Budget Savings:										
<u>Income Tax</u>										
1624	Marty	B 2004	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
		2004	Increase Top Rate from 7.85% to 8 Percent	GF	11,500	37,400	48,900	39,200	42,000	81,200
			Federal Conformity: Working Families Tax Relief Act	GF	0	90	90	55	45	100
Subtotal Income, Corporate and Federal Conformity					11,550	37,540	49,090	39,305	42,095	81,400
<u>Sales and Special Taxes</u>										
		2004	Reverse Sprint Court Case: Wire, Cable, Fiber, Poles and Conduit Taxable (7/1/05)	GF	1,500	1,560	3,060	1,620	1,690	3,310
			Upfront Tax Payment on Vehicle Leases		18,921	19,749	38,670	5,609	744	6,353
			Tobacco Taxes		2,250	2,700	4,950	2,700	2,700	5,400
			Compliance		5,800	0	5,800	0	0	0
			Payment Shift							
Subtotal Sales and Special Taxes					28,471	24,009	52,480	9,929	5,134	15,063
<u>Property/Aids and Credits</u>										
		2004	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	LMV Provisions: Combined Estimate (Pay 2006)	GF	0	0	0	0	5,550	5,550
Subtotal Property/Aids and Credits					0	0	0	1,440	6,990	8,430
<u>Misc.</u>										
2478	Moua	2004	JOBZ: Prohibit Certain Retail (no updated estimate from DOR)	GF	160	390	550	460	600	1,060
		2004	Rate of 1.26% for Companies Selling Both Property And Casualty (CUNA) 1/1/06	GF	90	240	330	250	250	500
Subtotal Misc.					250	630	880	710	850	1,560
Total Revenues/Budget Savings				GF	40,271	62,179	102,450	51,384	55,069	106,453
Expenditures:										
<u>Income/Franchise/Federal Conformity</u>										
2945	Moua	C 2004	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	C 2004	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
2171	Scheid	C 2004	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2910	Belanger	C 2004	Exempt State Active Service by National Guard (1/1/05)	GF	(42)	(42)	(84)	(42)	(42)	(84)
2008	Wergin	2005	Conform to Military Family Tax Relief Act of 2003	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
753	Ortman	2005	Subtraction for All Active Duty Military Pay (replace NR for out of state) 1/1/05		(960)	(970)	(1,930)	(980)	(990)	(1,970)
2683	Rest	C 2004	AMT: Full Charitable Deduction, Dependent Exemption Deduction; Increase Exemption Amounts and Phaseouts	GF	(25,600)	(29,500)	(55,100)	(33,600)	(37,300)	(70,900)
2702	Ortman	C 2004	K-12 Credit- Remove Family Limit on Maximum Credit (1/1/06)	GF	0	(450)	(450)	(470)	(490)	(960)
	Pogemiller	2005C	10% Tax Credit for Historic Structure Rehab.	GF	(1,640)	(2,200)	(3,840)	0	0	0
753	Ortman		Working Families Tax Relief Act	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Uniform Definition for Child Care	GF	(80)	0	(80)	0	0	0
			Combat Pay in Earned Income for EIC/WFC	GF	(2,400)	0	(2,400)	0	0	0
			Deduction for Teacher Expenses	GF	(1,310)	0	(1,310)	0	0	0
			Other Provisions	GF						
Subtotal Income, Corporate and Federal Conformity					(33,304)	(34,949)	(68,253)	(37,054)	(40,845)	(77,899)

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As Discussed in Senate Tax Committee 3-18-05

Dollars in 1000's

Bill #	Author	List	Fund	Senate			Senate			
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Sales and Special Taxes										
2654	Stumpf	C 2004	Geothermal Equipment Sales Tax Exemption	GF	(950)	(1,050)	(2,000)	0	0	0
3011	Rosen	B 2004	Exemption for Biomass Burning Stoves)	GF	(610)	(700)	(1,310)	0	0	0
2850	Sams	C 2004	Exemption for Movie and Television Productions	GF	(450)	(490)	(940)	0	0	0
	Ortman	2004	Exemption for Public Safety Radio Construction Inputs	GF	0	0	0	(2,050)	(30)	(2,080)
3044	Betzold	C 2004	Commuter Rail Construction Sales Tax Exemption	GF	(4,300)	(4,300)	(8,600)	0	0	0
3045	Betzold	C 2004	Diesel Fuel Sales Exemption for Commuter Rail	GF	0	0	0	0	(20)	(20)
1703	Solon	C 2004	Duluth Personal Rapid Transit Construction Inputs Exempt	GF	0	0	0	0	(200)	(200)
			Waste Recovery Facility Exemptions: (7/1/05)							
1956	Kiscaden	C 2004	Olmstead County	GF	0	(745)	(745)	(813)	(68)	(881)
	Murphy	C 2004	Red Wing	GF	0	(70)	(70)	(13)	0	(13)
	Pogemiller	C 2004	Mineapolis	GF	(70)	(190)	(260)	0	0	0
				GF						
1706	Solon	C 2004	Construction Inputs Exemption St. Mary's Hospital Only	GF	(61)	0	(61)	0	0	0
2969	Kubly	2004 A	Construction Sales Tax Exemption/Turkey Litter Biomass	GF	(800)	0	(800)	0	0	0
	Stumpf	2004	Thief River Falls--retroactive construction exemption for arena	GF	(350)	0	(350)	0	0	0
405	Dibble	2004 B	Exempt State and Local Government Fuel-Efficient Vehicles from MV Sales Tax	GF	(16)	(18)	(34)	(20)	0	(20)
1190	Tomassoni	2005 C	Virginia and Hibbing Biomass	GF	(470)	(1,055)	(1,525)	0	0	0
848	Kierlin	2005 C	Chatfield Wastewater Treatment Plant Construction Inputs Exempt.	GF	(160)	0	(160)	0	0	0
1571	Rest	2005 C	Prepared Meats Exemption	GF	(325)	(795)	(1,120)	(815)	(840)	(1,655)
Subtotal Sales and Special Taxes					(8,562)	(9,413)	(17,975)	(3,711)	(1,158)	(4,869)
Property/Aids and Credits										
			LMV Provisions Combined Estimate (Pay 2006):	GF	0	(3,390)	(3,390)	(2,830)	0	(2,830)
103	Cohen	2004 C	Permanent Limited Market Value at 2005 Formula	GF	0	0	0	0	0	0
2908	Sams	2004 C	LMV for Class 1c Homestead Resorts: PTR Cost	GF	0	0	0	0	0	0
			Property Tax Refund Provisions:							
2890	Vickerman	2004 B	A. Wind Energy Conversion System Land Valuation	GF	0	0	0	Negl.	Negl.	Negl.
			B. Exemption for Electric Generating Facilities:							
2532	Murphy	2004 A	Cannon Falls	GF	0	0	0	(80)	(80)	(160)
2988	Robling	2004 A	Shakopee	GF	0	0	0	(35)	(35)	(70)
2564	Day	2004 A	Faribault	GF	0	0	0	(13)	(13)	(26)
2676	Berglin	2004 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	2004 A	Sewage Treatment System Improvements	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
2436	Higgins	2004 B	Lead Hazard Reduction	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1081	Pogemiller	2005	Mold Contaminated Homesteads	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
			D. Special Valuation Treatment for:							
2958	Hottinger	2004 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	2004 A	E. Sauk River Watershed Levy	GF	0	(7)	(7)	(9)	(11)	(20)
2943	Senjum	2004 A	F. Rochester TIF District Extended	GF	0	(68)	(68)	(68)	(68)	(136)
971	Pogemiller	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)
1667	Saxhaug	2004 C	LUP Land Payments at \$3 Per Acre	GF	0	(295)	(295)	(303)	(311)	(614)
			Increased Equalization Aid Cost from Debt Service Levies on MV	GF	0	0	0	0	(360)	(360)
955	Langseth	2005	Border City Enterprise Zone	GF	(1,500)	0	(1,500)	0	0	0
779	Skoe	2005 A	Class Rate Changes for Resorts	GF	0	(42)	(42)	(42)	(42)	(84)
		2005	Special assessments in senior property tax deferral	GF	0	(19)	(19)	(25)	(32)	(57)
Subtotal Property/Aids and Credits					(1,500)	(3,821)	(5,321)	(4,743)	(2,510)	(7,253)

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As Discussed in Senate Tax Committee 3-18-05

Dollars in 1000's

Bill #	Author	List	Fund	Senate			Senate			
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Misc.										
2406	Moua	2004 C	GF	(3,300)	(8,400)	(11,700)	(8,700)	(9,000)	(17,700)	
		2005		(25)	0	(25)	0	0	0	
		2005		(25)	0	(25)	0	0	0	
Subtotal Misc.				(3,350)	(8,400)	(11,750)	(8,700)	(9,000)	(17,700)	
Total Expenditures			GF	(46,716)	(56,583)	(103,299)	(54,208)	(53,513)	(107,721)	
Balance			GF	(6,445)	5,596	(849)	(2,824)	1,556	(1,268)	

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Updated for AMT and Income Tax Estimates

Dollars in 1000's

Bill #	Author	List	Fund	Senate		Senate		Senate		
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Income Tax										
Corporate										
1624	Marty	2004 B	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
2945	Moua	2004 C	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	2004 C	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
			Regional Angel Investment Network	GF	0	(10,000)	(10,000)	0	0	0
Individual										
2171	Scheid	2004 C	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2683	Rest	2004 C	AMT: Full Charitable Deduction, Dependent Exemption Deduction, Increase Top Rate from 7.85% to 8 Percent	GF	(34,400)	(40,000)	(74,400)	(46,100)	(52,200)	(98,300)
			Interaction Between AMT Changes and Top Rate Increase	GF	13,000	15,000	28,000	17,200	19,500	36,700
2702	Ortman	2004 C	K-12 Credit- Remove Family Limit on Maximum Credit	GF	0	(450)	(450)	(470)	(490)	(960)
1659	Pogemiller	2005 C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,640)	(2,200)	(3,840)	(2,560)	(2,960)	(5,520)
Federal Conformity										
			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	GF	(960)	(970)	(1,930)	(980)	(990)	(1,970)
			Working Families Tax Relief Act							
			Uniform Definitions for Child Care	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Combat Pay in Earned Income for EIC	GF	(80)	0	(80)	0	0	0
			Deduction for Teacher Expenses	GF	(2,400)	0	(2,400)	0	0	0
			Other Provisions	GF	(1,310)	90	(1,220)	55	45	100
			Other Federal Conformity also in SF 1209-Am. Jobs. Creation Act (this is for information only--dollars not included in total of this bill)	GF	8,580	12,185	20,765	19,620	17,465	37,085
Corporate Franchise, Individual Income Tax, and Federal Conformity Total				GF	15,246	(2,809)	12,337	4,391	2,890	7,281
Sales and Special Taxes										
2654	Stumpf	2004 C	Geothermal Equipment Sales Tax Exemption (7/1/05)	GF	(950)	(1,050)	(2,000)	(1,100)	(1,200)	(2,300)
3011	Rosen	2004 B	Exemption for Biomass Burning Stoves (7/1/05)	GF	(610)	(700)	(1,310)	(740)	(780)	(1,520)
			Reverse Sprint Court Case: Wire, Cable, Fiber, Poles and Conduit Taxable	GF	1,500	1,560	3,060	1,620	1,690	3,310
2850	Sams	2004 C	Exemption for Movie and Television Productions (7/1/05)	GF	(450)	(490)	(940)	(490)	(490)	(980)
	Ortman		Exemption for Public Safety Radio Construction Inputs (7/1/06)	GF	(5,470)	0	(5,470)	0	0	0
3044	Betzold	2004 C	Commuter Rail Construction Sales Tax Exemption (7/1/05)	GF	(4,300)	(4,300)	(8,600)	0	0	0
3045	Betzold	2004 C	Diesel Fuel Sales Exemption for Commuter Rail	GF	(20)	0	(20)	0	0	0
1703	Solon	2004 C	Duluth Personal Rapid Transit Construction Inputs Exempt (7/1/08)	GF	(200)	0	(200)	0	0	0
			Waste Recovery Facility Exemptions: (7/1/05)							
1956	Kiscaden	2004 C	Olmstead County	GF	0	(745)	(745)	(813)	(68)	(881)
	Murphy	2004 C	Red Wing	GF	0	(70)	(70)	(13)	0	(13)
	Pogemiller	2004 C	Minneapolis	GF	(70)	(190)	(260)	0	0	0
1706	Solon	2004 C	Construction Inputs Exemption St. Mary's Hospital Only	GF	(61)	0	(61)	0	0	0
2969	Kubly	2004 A	Construction Sales Tax Exemption/Turkey Litter Biomass	GF	(800)	0	(800)	0	0	0

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Updated for AMT and Income Tax Estimates

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
	Stumpf	2004	GF	(350)	0	(350)	0	0	0	
753	Ortman	2005	GF	18,921	19,749	38,670	5,545	644	6,189	
753	Ortman	2005	GF	2,250	2,700	4,950	2,700	2,700	5,400	
			GF	5,800	0	5,800	0	0	0	
405	Dibble	2004 B	GF	(16)	(18)	(34)	(20)	0	(20)	
1190	Tomassoni	2005 C	GF	(470)	(1,055)	(1,525)	0	0	0	
848	Kierlin	2005 C	GF	(160)	0	(160)	0	0	0	
1571	Rest	2005 C	GF	(325)	(795)	(1,120)	(815)	(840)	(1,655)	
Total Sales Tax				GF	14,219	14,596	28,815	5,874	1,656	7,530
Property										
			GF	0	(3,390)	(3,390)	(2,830)	5,550	2,720	
103	Cohen	2004 C	GF	0	0	0	0	0	0	
2908	Sams	2004 C	GF	0	0	0	0	0	0	
			GF	0	0	0	0	0	0	
			GF	0	0	0	0	0	0	
			GF	0	0	0	0	0	0	
2890	Vickerman	2004 B	GF	0	0	0	Negl.	Negl.	Negl.	
2532	Murphy	2004 A	GF	0	0	0	(80)	(80)	(160)	
2988	Robling	2004 A	GF	0	0	0	(35)	(35)	(70)	
2564	Day	2004 A	GF	0	0	0	(13)	(13)	(26)	
2676	Berglin	2004 C	GF	0	0	0	0	(15)	(15)	
2969	Kubly	2004	GF	0	0	0	0	(30)	(30)	
2652	Pogemiller	2004 A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
2436	Higgins	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
1081	Pogemiller	2005 A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
2958	Hottinger	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
322	Sams	2003	GF	0	0	0	Unknown	Unknown	Unknown	
2974	Fischbach	2004 A	GF	0	(7)	(7)	(9)	(11)	(20)	
2943	Senjum	2004 A	GF	0	(68)	(68)	(68)	(68)	(136)	
1366	Pogemiller	A 2005	GF	0	0	0	(18)	(113)	(131)	
1242	Moua	2003	GF	0	0	0	(1,320)	(1,400)	(2,720)	
		2005	GF	0	(19)	(19)	(25)	(32)	(57)	
779	Skoe	2005 A	GF	0	(42)	(42)	(42)	(42)	(84)	
Total Property Tax				GF	0	(3,526)	(3,526)	(4,440)	3,711	(729)
Aids and Credits										
1667	Saxhaug	C 2004	GF	0	(295)	(295)	(303)	(311)	(614)	
			GF	0	0	0	1,440	1,440	2,880	
955	Langseth	2005	GF	(1,500)	0	(1,500)	0	0	0	
		2004	GF	0	0	0	0	(360)	(360)	
Total Aids and Credits				GF	(1,500)	(295)	(1,795)	1,137	769	1,906
Local Development										
2478	Moua	2004	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	2004 C	GF	(3,300)	(8,400)	(11,700)	(8,700)	(9,000)	(17,700)	
			GF	90	240	330	250	250	500	

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
		Education Reserve	GF	(24,961)	0	(24,961)	0	0	0
		2005 Fur Tax (from Dept. Bill)	GF	(25)	0	(25)	0	0	0
		2005 Frequency of Liquor tax Collections from Dept. Bill	GF	(25)	0	(25)	0	0	0
al Miscellaneous			GF	(28,221)	(8,160)	(36,381)	(8,450)	(8,750)	(17,200)
Grand Total General Fund			GF	(96)	96	0	(1,028)	876	(152)
Non-General Fund Items:									
Dedicated Funds									
		Upfront Payment of Tax on Leased Vehicles	HUTD	0	0	0	(44)	(69)	(113)
			MATF	0	0	0	(28)	(44)	(72)
			GMnT	0	0	0	(2)	(3)	(5)
405	Dibble	Motor Vehicle Sales Tax Exemption for Clean Fuel Vehicles	HUTD	(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
Total Other Funds				262	290	552	234	244	478

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Other Items with Non-Monetary or Negligible Financial Impact										
2003 and 2004 Bills to Tax 2										
168	Ruud	2004 A	Bemidji Sales Tax--Parks, Trails	GF	0	0	0	0	0	0
321	Ruud	2003	Delaying Property Tax Due and Penalty Accrual Dates for Resorts	GF	0	0	0	0	0	0
573	Bakk	2003	City of Proctor Sales Tax	GF	0	0	0	0	0	0
675	Day	2003	City of Medford Sales Tax	GF	0	0	0	0	0	0
742	Skoe	2003	Park Rapids Sales Tax	GF	0	0	0	0	0	0
774	Ourada	2004 C	Clearwater Sales Tax: Parks, Trails, Community Center	GF	0	0	0	0	0	0
830	Ourada	2004 A	St Michael TIF for Highway 241	GF	0	0	0	0	0	0
961	Lourey	2004 C	Cloquet Sales Tax: Park, Sewer, Landfill	GF	0	0	0	0	0	0
961	Lourey	2003	Cloquet Sales Tax	GF	0	0	0	0	0	0
996	Rest	2004 C	State Levy on Land Value of C/I	GF	0	0	0	0	0	0
1003	Bakk	2003	Beaver Bay Sales Tax	GF	0	0	0	0	0	0
1145	Tomassoni	2003	Extending Terms of Certificates of Indebtedness	GF	0	0	0	0	0	0
1175	Anderson	2004 C	Internet, Phone, Mail Cigarette Sales	GF	0	0	0	0	0	0
1229	Rest	2003	TIF: Affordable Housing	GF	0	0	0	0	0	0
1360	Bakk	2003	Hermantown Sales Tax Expanded Use	GF	0	0	0	0	0	0
1394	Tomassoni	2003	Mining and Refining Nonferrous Ores, Metals, Minerals	GF	0	0	0	0	0	0
1502	Kiscaden	2004 A	TIF: Remove Mile age Restriction	GF	0	0	0	0	0	0
1505		2003	Uncompensated Care Reimbursement	GF	0	0	0	0	0	0
1542	Rosen	2004 B	Fairmont TIF for Historic Post Office Restoration	GF	0	0	0	0	0	0
1675	Moua	2004 B	Ramsey County Library Levies on Truth in Taxation Notice	GF	0	0	0	0	0	0
1701	Bakk	2004 A	Proctor Lodging Tax: 3% for Train, Plane Preservation	GF	0	0	0	0	0	0
1731	Kierlin	2004 C	Winona Sales Tax for Transportation Improvements	GF	0	0	0	0	0	0
1826	Rest	2004 A	TIF for Job Training	GF	0	0	0	0	0	0
1919	Hottinger	2004 A	Property Tax Exemption for Mankato 300 MW Electrical Gen.	GF	0	0	0	0	0	0
1925	Kleis	2004 C	Waite Park Sales Tax--Airport and Roads	GF	0	0	0	0	0	0
1983	Scheid	2004 B	Brooklyn Center TIF	GF	0	0	0	0	0	0
2049	Kiscaden	2004 C	Rochester Sales Tax Expand Use for higher ed/regional roads	GF	0	0	0	0	0	0
2105	Bakk	2004 A	Taconite Production Tax/50K ton Production	GF	0	0	0	0	0	0
2117	Lourey	2004 A	Homestead for Daycare	GF	0	0	0	0	0	0
2261	Murphy	2004 B	Wabasha TIF for Bald Eagle Center	GF	0	0	0	0	0	0
2278	Moua	2004 A	Multiple Housing TIF	GF	0	0	0	0	0	0
2302	Pogemiller	2004 A	HRA G.O. Bonds	GF	0	0	0	0	0	0
2303	Pogemiller	2004 A	Mpls. Sears TIF	GF	0	0	0	0	0	0
2314	Belanger	2004 A	Tax Court/Comm. On Judicial Selection Rec.	GF	0	0	0	0	0	0
2353	Stumpf	2004 A	K-12 Article 1, Section 15: Tax Notice Language	GF	0	0	0	0	0	0
2431	Rest	2004 A	Publicly Traded Partnerships Exempt from Withholding	GF	0	0	0	0	0	0
2457	Betzold	2004 A	Anoka County Regional RR Authority:EDA Power	GF	0	0	0	0	0	0
2528	Pogemiller	2004 A	Electronic Filing Requirements	GF	0	0	0	0	0	0
2546	Murphy	2004 B	Eliminate Utility Pollution Control Exemption: Study	GF	0	0	0	0	0	0
2547	Murphy	2004 A	Legislative OK Required of New Utility Valuation Rules	GF	0	0	0	0	0	0
2576	Bakk	2004 C	Aggregate Production Tax Change Operator Definition	GF	0	0	0	0	0	0
2633	Belanger	2004 A	Fiscal Disparities Study	GF	0	0	0	0	0	0
2674	Hottinger	2004 B	Business Subsidies Act	GF	0	0	0	0	0	0
2682	Limmer	2004 C	Osseo LGA Increase of \$250K	GF	0	0	0	0	0	0
2704	Sparks	2004 A	Albert Lea Sales Tax for Lake Improvements	GF	0	0	0	0	0	0
2716	Moua	2004 C	DOR Policy Bill: Arto. 3 Sec. 10-12	GF	0	0	0	0	0	0
2719	Langseth	2004 B	Detroit Lakes TIF	GF	0	0	0	0	0	0
2734	Murphy	2004B	Exempt Limited Flea Market Sales (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2875	Day	2004 C	Waseca Sales Tax for lakes, community center, downtown	GF	0	0	0	0	0	0
2900	Tomassoni	2004B	Exempt Donated Meals (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2921	Hottinger	2004 B	Mankato Sales Tax Use Expansion	GF	0	0	0	0	0	0
2927	Sams	2004 A	Lakes Area EDA	GF	0	0	0	0	0	0
2970	Larson	2004 B	Larson: ED for Fergus Falls	GF	0	0	0	0	0	0
2983	McGinn	2004 A	Caponi Art Park Special Assessment/Property Tax Defer	GF	0	0	0	0	0	0
2991	Vickerman	2004 A	Pipestone/Lincoln Wind Energy Due Dates	GF	0	0	0	0	0	0
2998	Betzold	2004 B	TIF for Urban Renewal	GF	0	0	0	0	0	0
3014	Marko	2004 A	Cottage Grove Peaking Facility Personal Property Exemption	GF	0	0	0	0	0	0
3020	Kleis	2004 A	St. Cloud Area Sales Tax and Liquor and Food Tax	GF	0	0	0	0	0	0
	Pogemiller	2004	DOR Compliance Gap Closure Language	GF	0	0	0	0	0	0
	Pogemiller	2004	School Referenda on Income Base	GF	0	0	0	0	0	0
	Pogemiller	2004	Downtown Golf Dome	GF	0	0	0	0	0	0
	Pogemiller	2004	JOBZ Limits	GF	0	0	0	0	0	0
	Olson	2004	Polo Grounds	GF	0	0	0	0	0	0
	Chaudhary	2004	Employee Status Misrepresentation	GF	0	0	0	0	0	0
	Wiger		RiverCentre Sales Tax Amendment	GF	0	0	0	0	0	0

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Bill #	Author	List	Fund	Senate			Senate			
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
2005 Bills to Tax 2										
A List										
176	Saxhaug	A	Aitkin County, City and SD Joint TnT Hearings	GF	0	0	0	0	0	0
344	Stumpf	A	Reimbursement to Local Fire Depts. For Car Fire Costs	GF	0	0	0	0	0	0
812	Gaither	A	Early Payments for E Filed Returns	GF	0	0	0	0	0	0
823	Moua	A	Dept. of Revenue Policy Bill – Selected Sections	GF	0	0	0	0	0	0
833	Sams	A	Ag.Homestead for Grandchildren	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
854	Scheid	A	Brooklyn Park TIF Extension	GF	0	0	0	0	0	0
867	Johnson,Dean	A	Willmar Sales Tax	GF	0	0	0	0	0	0
971	Pogemiller	A	Public Finance Bill	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1002	Anderson	A	Great River Charter School Pay 05 Property Tax Exemption	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1053	Vickerman	A	Nobles Cty., Worthinton, S.D. Joint TnT	GF	0	0	0	0	0	0
1077	Belanger	A	Special Service Districts for Emergency Medical Services	GF	0	0	0	0	0	0
1081	Pogemiller	A	Tax Reduction for Mold Contaminated Homesteads	GF	0	0	0	0	0	0
1087	Moua	A	LGA Technical Fix	GF	0	0	0	0	0	0
1132	Murphy	A	Soil and Water Conservation Districts as Special Taxing Districts	GF	0	0	0	0	0	0
1183	Ruud	A	Non-Commercial Aircraft Hangars	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1256	Bakk	A	W. Lake Superior Sanitary District Bond Authority Increase	GF	0	0	0	0	0	0
1341	Bakk	A	Direct Reduced Ore	GF	0	0	0	0	0	0
1484	Moua	A	St. Paul TIF Subdistricts	GF	0	0	0	0	0	0
1419	Ranum	A	Richfield TIF	GF	0	0	0	0	0	0
1497	Pogemiller	A	Revenue Recapture for Petty Misdemeanors	GF	0	0	0	0	0	0
1605	Kierlin	A	Winona TIF Extension	GF	0	0	0	0	0	0
1683	Pogemiller	A	Exemption for Elderly Living Facilities	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1685	Pogemiller	A	MV Reduction for Energy Efficient C/I	GF	0	0	0	Unknown	Unknown	Unknown
								0		0
								0		0
B List										
26	Solon	B	Delay State Administration of Duluth Sales Tax	GF	0	0	0	0	0	0
551	Larson	B	Levy Limit Exemption for Animal Shelters	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
1008	Wergin	B	Military Family Tax Relief Act of 2003 Conformity (\$ already in Tax 2)	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
1786	Skoe	B	Short Rotation Crops	GF	0	0	0	0	0	0
C List										
1338	Belanger	C	Use Tax Collections on Income Tax et al	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1476	Sams	C	LMV in Tax 2--Other Provisions TBD: Income Tax Credits, Sales Tax Ref	GF	(800)	(5,520)	(6,320)	(6,070)	(6,180)	(12,250)
1659	Pogemiller	C	25% Income Tax Credit for Historic Structure Rehab. (in bill at 10%)	GF	(4,100)	(5,500)	(9,600)	(6,400)	(7,400)	(13,800)
D List										
561	Marty	D	Sec. 1, Subd. 1: No New TIF after 5-31-05	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
E List										
1336	Marty	E	New TIF Prohibition		Unknown	Unknown	Unknown	Unknown	Unknown	Unknown

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Tax 2 By Revenues and Expenditures										
Revenues/Budget Savings:										
<u>Income Tax</u>										
1624	Marty	B 2004	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
			Increase Top Rate from 7.85% to 8 Percent	GF	44,300	37,400	81,700	39,200	42,000	81,200
			Interaction Between AMT Changes and Top Rate Increase	GF	13,000	15,000	28,000	17,200	19,500	36,700
			Federal Conformity: Working Families Tax Relief Act	GF	0	90	90	55	45	100
Subtotal Income, Corporate and Federal Conformity					57,350	52,540	109,890	56,505	61,595	118,100
<u>Sales and Special Taxes</u>										
		2004	Reverse Sprint Court Case: Wire,Cable,Fiber, Poles and Conduit Taxable (7/1/05)	GF	1,500	1,560	3,060	1,620	1,690	3,310
			Upfront Tax Payment on Vehicle Leases		18,921	19,749	38,670	5,545	644	6,189
			Tobacco Taxes		2,250	2,700	4,950	2,700	2,700	5,400
			Compliance		5,800	0	5,800	0	0	0
			Payment Shift							
Subtotal Sales and Special Taxes					28,471	24,009	52,480	9,865	5,034	14,899
<u>Property/Aids and Credits</u>										
		2004	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	LMV Provisions: Combined Estimate (Pay 2006)	GF	0	0	0	0	5,550	5,550
Subtotal Property/Aids and Credits					0	0	0	1,440	6,990	8,430
<u>Misc.</u>										
2478	Moua	2004	JOBZ: Prohibit Certain Retail (no updated estimate from DOR)	GF	160	390	550	460	600	1,060
		2004	Rate of 1.28% for Companies Selling Both Property And Casualty (CUNA) 1/1/06	GF	90	240	330	250	250	500
Subtotal Misc.					250	630	880	710	850	1,560
Total Revenues/Budget Savings				GF	86,071	77,179	163,250	68,520	74,469	142,989
Expenditures:										
<u>Income/Franchise/Federal Conformity</u>										
2945	Moua	C 2004	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	C 2004	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
2171	Scheid	C 2004	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2910	Belanger	C 2004	Exempt State Active Service by National Guard (1/1/05)	GF	(42)	(42)	(84)	(42)	(42)	(84)
2008	Wergin	2005	Conform to Military Family Tax Relief Act of 2003	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
753	Ortman	2005	Subtraction for All Active Duty Military Pay (replace NR for out of state) 1/1/05	GF	(960)	(970)	(1,930)	(980)	(990)	(1,970)
2683	Rest	2004 C	AMT: Full Charitable Deduction, Dependent Exemption Deduction; Incre	GF	(34,400)	(40,000)	(74,400)	(46,100)	(52,200)	(98,300)
2702	Ortman	C 2004	K-12 Credit- Remove Family Limit on Maximum Credit (1/1/06)	GF	0	(450)	(450)	(470)	(490)	(960)
1659	Pogemiller	2005 C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,540)	(2,200)	(3,840)	(2,560)	(2,960)	(5,520)
753	Ortman		Working Families Tax Relief Act	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Uniform Definition for Child Care	GF	(80)	0	(80)	0	0	0
			Combat Pay in Earned Income for EIC/WFC	GF	(2,400)	0	(2,400)	0	0	0
			Deduction for Teacher Expenses	GF	(1,310)	0	(1,310)	0	0	0
			Other Provisions	GF						

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
			GF	0	(10,000)	(10,000)	0	0	0	
Regional Angel Investment Network										
Subtotal Income, Corporate and Federal Conformity					(42,104)	(55,449)	(97,553)	(52,114)	(58,705)	(110,819)
As and Special Taxes										
2654	Stumpf	2004 C	GF	(950)	(1,050)	(2,000)	(1,100)	(1,200)	(2,300)	
Geothermal Equipment Sales Tax Exemption (7/1/05)										
3011	Rosen	2004 B	GF	(610)	(700)	(1,310)	(740)	(780)	(1,520)	
Exemption for Biomass Burning Stoves (7/1/05)										
2850	Sams	2004 C	GF	(450)	(490)	(940)	(490)	(490)	(980)	
Exemption for Movie and Television Productions (7/1/05)										
	Ortman		GF	(5,470)	0	(5,470)	0	0	0	
Exemption for Public Safety Radio Construction Inputs (7/1/05)										
3044	Betzold	C 2004	GF	(4,300)	(4,300)	(8,600)	0	0	0	
Commuter Rail Construction Sales Tax Exemption										
3045	Betzold	C 2004	GF	(20)	0	(20)	0	0	0	
Diesel Fuel Sales Exemption for Commuter Rail										
1703	Solon	C 2004	GF	(200)	0	(200)	0	0	0	
Duluth Personal Rapid Transit Construction Inputs Exempt										
Waste Recovery Facility Exemptions: (7/1/05)										
1956	Kiscaden	C 2004	GF	0	(745)	(745)	(813)	(68)	(881)	
Olmstead County										
	Murphy	C 2004	GF	0	(70)	(70)	(13)	0	(13)	
Red Wing										
	Pogemiller	C 2004	GF	(70)	(190)	(260)	0	0	0	
Mineapolis										
1706	Solon	C 2004	GF	(61)	0	(61)	0	0	0	
Construction Inputs Exemption St. Mary's Hospital Only										
2969	Kubly	2004 A	GF	(800)	0	(800)	0	0	0	
Construction Sales Tax Exemption/Turkey Litter Biomass										
	Stumpf	2004	GF	(350)	0	(350)	0	0	0	
Thief River Falls--retroactive construction exemption for arena										
405	Dibble	2004 B	GF	(16)	(18)	(34)	(20)	0	(20)	
Exempt State and Local Government Fuel-Efficient Vehicles from MV Sales Tax										
848	Kierlin	2005 C	GF	(160)	0	(160)	0	0	0	
Chatfield Wastewater Treatment Plant Construction Inputs Exempt.										
1190	Tomassoni	2005 C	GF	(470)	(1,055)	(1,525)	0	0	0	
Virginia and Hibbing Biomass										
1571	Rest	2005 C	GF	(325)	(795)	(1,120)	(815)	(840)	(1,655)	
Prepared Meats Exemption										
Subtotal Sales and Special Taxes					(14,252)	(9,413)	(23,665)	(3,991)	(3,378)	(7,369)
Property/Aids and Credits										
103	Cohen	2004 C	GF	0	(3,390)	(3,390)	(2,830)	0	(2,830)	
LMV Provisions Combined Estimate (Pay 2006):										
2908	Sams	2004 C	GF	0	0	0	0	0	0	
Permanent Limited Market Value at 2005 Formula										
			GF	0	0	0	0	0	0	
LMV for Class 1c Homestead Resorts: PTR Cost										
Property Tax Refund Provisions:										
2890	Vickerman	2004 B	GF	0	0	0	Negl.	Negl.	Negl.	
A. Wind Energy Conversion System Land Valuation										
B. Exemption for Electric Generating Facilities:										
2532	Murphy	2004 A	GF	0	0	0	(80)	(80)	(160)	
Cannon Falls										
2988	Robling	2004 A	GF	0	0	0	(35)	(35)	(70)	
Shakopee										
2564	Day	2004 A	GF	0	0	0	(13)	(13)	(26)	
Faribault										
2676	Berglin	2004 C	GF	0	0	0	0	(15)	(15)	
Sears Site Biomass										
			GF	0	0	0	0	(30)	(30)	
Poultry Litter Biomass										
C. Valuation Exclusion for:										
2652	Pogemiller	2004 A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Sewage Treatment System Improvements										
2436	Higgins	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Lead Hazard Reduction										
1081	Pogemiller	2005	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Mold Contaminated Homesteads										
D. Special Valuation Treatment for:										
2958	Hottinger	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Aggregate Resource Preservation										
322	Sams	2003	GF	0	0	0	Unknown	Unknown	Unknown	
Class 1c Homestead Resorts										
2974	Fischbach	2004 A	GF	0	(7)	(7)	(9)	(11)	(20)	
E. Sauk River Watershed Levy										
2943	Senjum	2004 A	GF	0	(68)	(68)	(68)	(68)	(136)	
F. Rochester TIF District Extended										
971	Pogemiller	2005	GF	0	0	0	(18)	(113)	(131)	
G. Metro Council Transit Bonds										
1242	Moua	2003	GF	0	0	0	(1,320)	(1,400)	(2,720)	
H. 4d Subsidized Apartments Class Rate at .55%										
1667	Saxhaug	2004 C	GF	0	(295)	(295)	(303)	(311)	(614)	
LUP Land Payments at \$3 Per Acre										
			GF	0	0	0	0	(360)	(360)	
Increased Equalization Aid Cost from Debt Service Levies on MV										

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
955	Langseth	2005	GF	(1,500)	0	(1,500)	0	0	0	
779	Skoe	2005 A	GF	0	(42)	(42)	(42)	(42)	(84)	
		2005		0	(19)	(19)	(25)	(32)	(57)	
Subtotal Property/Aids and Credits				(1,500)	(3,821)	(5,321)	(4,743)	(2,510)	(7,253)	
Misc.										
2406	Moua	2004 C	GF	(3,300)	(8,400)	(11,700)	(8,700)	(9,000)	(17,700)	
		2005		(25)	0	(25)	0	0	0	
			GF	(24,961)	0	(24,961)	0	0	0	
		2005		(25)	0	(25)	0	0	0	
Subtotal Misc.				(28,311)	(8,400)	(36,711)	(8,700)	(9,000)	(17,700)	
Total Expenditures				GF	(86,167)	(77,083)	(163,250)	(69,543)	(73,593)	(143,141)
Balance				GF	(96)	96	0	(1,028)	876	(152)

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Income Tax										
Corporate										
1624	Marty	2004 B	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
2945	Moua	2004 C	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	2004 C	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
			Regional Angel Investment Network	GF	0	(10,000)	(10,000)	0	0	0
Individual										
2171	Scheid	2004 C	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2683	Rest	2004 C	AMT: Full Charitable Deduction, Dependent Exemption Deduction, Increase Top Rate from 7.85% to 8 Percent	GF	(34,400)	(40,000)	(74,400)	(46,100)	(52,200)	(98,300)
			Interaction Between AMT Changes and Top Rate Increase	GF	13,000	15,000	28,000	17,200	19,500	36,700
2702	Ortman	2004 C	K-12 Credit- Remove Family Limit on Maximum Credit	GF	0	(450)	(450)	(470)	(490)	(960)
1659	Pogemiller	2005 C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,640)	(2,200)	(3,840)	(2,560)	(2,960)	(5,520)
Federal Conformity										
			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	GF	(960)	(970)	(1,930)	(980)	(990)	(1,970)
			Working Families Tax Relief Act							
			Uniform Definitions for Child Care	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Combat Pay in Earned Income for EIC	GF	(80)	0	(80)	0	0	0
			Deduction for Teacher Expenses	GF	(2,400)	0	(2,400)	0	0	0
			Other Provisions	GF	(1,310)	90	(1,220)	55	45	100
			Other Federal Conformity also in SF 1209--Am. Jobs. Creation Act (this is for information only--dollars not included in total of this bill)	GF	8,580	12,185	20,765	19,620	17,465	37,085
Corporate Franchise, Individual Income Tax, and Federal Conformity Total				GF	15,246	(2,909)	12,337	4,391	2,890	7,281
Sales and Special Taxes										
2654	Stumpf	2004 C	Geothermal Equipment Sales Tax Exemption (7/1/05)	GF	(950)	(1,050)	(2,000)	(1,100)	(1,200)	(2,300)
3011	Rosen	2004 B	Exemption for Biomass Burning Stoves (7/1/05)	GF	(610)	(700)	(1,310)	(740)	(780)	(1,520)
			Reverse Sprint Court Case: Wire, Cable, Fiber, Poles and Conduit Taxable	GF	1,500	1,560	3,060	1,620	1,690	3,310
2850	Sams	2004 C	Exemption for Movie and Television Productions (7/1/05)	GF	(450)	(490)	(940)	(490)	0	(490)
	Ortman		Exemption for Public Safety Radio Construction Inputs	GF	(5,470)	0	(5,470)	0	0	0
3044	Betzold	2004 C	Commuter Rail Construction Sales Tax Exemption (7/1/05)	GF	(4,300)	(4,300)	(8,600)	0	0	0
3045	Betzold	2004 C	Diesel Fuel Sales Exemption for Commuter Rail	GF	(20)	0	(20)	0	0	0
1703	Solon	2004 C	Duluth Personal Rapid Transit Construction Inputs Exempt (7/1/08)	GF	(200)	0	(200)	0	0	0
			Waste Recovery Facility Exemptions: (7/1/05)							
1956	Kiscaden	2004 C	Olmstead County	GF	0	(745)	(745)	(813)	(68)	(881)
	Murphy	2004 C	Red Wing	GF	0	(70)	(70)	(13)	0	(13)
	Pogemiller	2004 C	Minneapolis	GF	(70)	(190)	(260)	0	0	0
1706	Solon	2004 C	Construction Inputs Exemption St. Mary's Hospital Only	GF	(61)	0	(61)	0	0	0
2969	Kubly	2004 A	Construction Sales Tax Exemption/Turkey Litter Biomass	GF	(800)	0	(800)	0	0	0

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Bill #	Author	List	Fund	Senate			Senate		
				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
		Education Reserve	GF	(24,961)	0	(24,961)	0	0	0
		2005 Fur Tax (from Dept. Bill)	GF	(25)	0	(25)	0	0	0
		2005 Frequency of Liquor tax Collections from Dept. Bill	GF	(25)	0	(25)	0	0	0
Total Miscellaneous			GF	(28,221)	(8,160)	(36,381)	(8,450)	(8,750)	(17,200)
Grand Total General Fund			GF	(96)	96	0	(1,028)	1,366	338
Non-General Fund Items:									
Dedicated Funds									
		Upfront Payment of Tax on Leased Vehicles	HUTD	0	0	0	(44)	(69)	(113)
			MATF	0	0	0	(28)	(44)	(72)
			GMnT	0	0	0	(2)	(3)	(5)
405	Dibble	Motor Vehicle Sales Tax Exemption for Clean Fuel Vehicles	HUTD	(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
Total Other Funds				262	290	552	234	244	478

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Other Items with Non-Monetary or Negligible Financial Impact										
2003 and 2004 Bills to Tax 2										
168	Ruud	2004 A	Bemidji Sales Tax-Parks, Trails	GF	0	0	0	0	0	0
321	Ruud	2003	Delaying Property Tax Due and Penalty Accrual Dates for Resorts	GF	0	0	0	0	0	0
573	Bakk	2003	City of Proctor Sales Tax	GF	0	0	0	0	0	0
675	Day	2003	City of Medford Sales Tax	GF	0	0	0	0	0	0
742	Skoe	2003	Park Rapids Sales Tax	GF	0	0	0	0	0	0
774	Ourada	2004 C	Clearwater Sales Tax: Parks, Trails, Community Center	GF	0	0	0	0	0	0
830	Ourada	2004 A	St Michael TIF for Highway 241	GF	0	0	0	0	0	0
961	Lourey	2004 C	Cloquet Sales Tax: Park, Sewer, Landfill	GF	0	0	0	0	0	0
961	Lourey	2003	Cloquet Sales Tax	GF	0	0	0	0	0	0
996	Rest	2004 C	State Levy on Land Value of C/I	GF	0	0	0	0	0	0
1003	Bakk	2003	Beaver Bay Sales Tax	GF	0	0	0	0	0	0
1145	Tomassoni	2003	Extending Terms of Certificates of Indebtedness	GF	0	0	0	0	0	0
1175	Anderson	2004 C	Internet, Phone, Mail Cigarette Sales	GF	0	0	0	0	0	0
1229	Rest	2003	TIF: Affordable Housing	GF	0	0	0	0	0	0
1360	Bakk	2003	Hermantown Sales Tax Expanded Use	GF	0	0	0	0	0	0
1394	Tomassoni	2003	Mining and Refining Nonferrous Ores, Metals, Minerals	GF	0	0	0	0	0	0
1502	Kiscaden	2004 A	TIF: Remove Mile age Restriction	GF	0	0	0	0	0	0
1505		2003	Uncompensated Care Reimbursement	GF	0	0	0	0	0	0
1542	Rosen	2004 B	Fairmont TIF for Historic Post Office Restoration	GF	0	0	0	0	0	0
1675	Moua	2004 B	Ramsey County Library Levies on Truth in Taxation Notice	GF	0	0	0	0	0	0
1701	Bakk	2004 A	Proctor Lodging Tax: 3% for Train, Plane Preservation	GF	0	0	0	0	0	0
1731	Kierlin	2004 C	Winona Sales Tax for Transportation Improvements	GF	0	0	0	0	0	0
1826	Rest	2004 A	TIF for Job Training	GF	0	0	0	0	0	0
1919	Hottinger	2004 A	Property Tax Exemption for Mankato 300 MW Electrical Gen.	GF	0	0	0	0	0	0
1925	Kleis	2004 C	Waite Park Sales Tax-Airport and Roads	GF	0	0	0	0	0	0
1983	Scheid	2004 B	Brooklyn Center TIF	GF	0	0	0	0	0	0
2049	Kiscaden	2004 C	Rochester Sales Tax Expand Use for higher ed/regional roads	GF	0	0	0	0	0	0
2105	Bakk	2004 A	Taconite Production Tax/50K ton Production	GF	0	0	0	0	0	0
2117	Lourey	2004 A	Homestead for Daycare	GF	0	0	0	0	0	0
2261	Murphy	2004 B	Wabasha TIF for Bald Eagle Center	GF	0	0	0	0	0	0
2278	Moua	2004 A	Multiple Housing TIF	GF	0	0	0	0	0	0
2302	Pogemiller	2004 A	HRA G.O. Bonds	GF	0	0	0	0	0	0
2303	Pogemiller	2004 A	Mpls. Sears TIF	GF	0	0	0	0	0	0
2314	Belanger	2004 A	Tax Court/Comm. On Judicial Selection Rec.	GF	0	0	0	0	0	0
2353	Stumpf	2004 A	K-12 Article 1, Section 15: Tax Notice Language	GF	0	0	0	0	0	0
2431	Rest	2004 A	Publicly Traded Partnerships Exempt from Withholding	GF	0	0	0	0	0	0
2457	Betzold	2004 A	Anoka County Regional RR Authority:EDA Power	GF	0	0	0	0	0	0
2528	Pogemiller	2004 A	Electronic Filing Requirements	GF	0	0	0	0	0	0
2546	Murphy	2004 B	Eliminate Utility Pollution Control Exemption: Study	GF	0	0	0	0	0	0
2547	Murphy	2004 A	Legislative OK Required of New Utility Valuation Rules	GF	0	0	0	0	0	0
2576	Bakk	2004 C	Aggregate Production Tax Change Operator Definition	GF	0	0	0	0	0	0
2633	Belanger	2004 A	Fiscal Disparities Study	GF	0	0	0	0	0	0
2674	Hottinger	2004 B	Business Subsidies Act	GF	0	0	0	0	0	0
2682	Limmer	2004 C	Osseo LGA Increase of \$250K	GF	0	0	0	0	0	0
2704	Sparks	2004 A	Albert Lea Sales Tax for Lake Improvements	GF	0	0	0	0	0	0
2716	Moua	2004 C	DOR Policy Bill: Artc. 3 Sec. 10-12	GF	0	0	0	0	0	0
2719	Langseth	2004 B	Detroit Lakes TIF	GF	0	0	0	0	0	0
2734	Murphy	2004B	Exempt Limited Flea Market Sales (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2875	Day	2004 C	Waseca Sales Tax for lakes, community center, downtown	GF	0	0	0	0	0	0
2900	Tomassoni	2004B	Exempt Donated Meals (7/1/05)	GF	Negl.	Negl.	Negl.	Negl.	Negl.	Negl.
2921	Hottinger	2004 B	Mankato Sales Tax Use Expansion	GF	0	0	0	0	0	0
2927	Sams	2004 A	Lakes Area EDA	GF	0	0	0	0	0	0
2970	Larson	2004 B	Larson: ED for Fergus Falls	GF	0	0	0	0	0	0
2983	McGinn	2004 A	Caponi Art Park Special Assessment/Property Tax Defer	GF	0	0	0	0	0	0
2991	Vickerman	2004 A	Pipestone/Lincoln Wind Energy Due Dates	GF	0	0	0	0	0	0
2998	Betzold	2004 B	TIF for Urban Renewal	GF	0	0	0	0	0	0
3014	Marko	2004 A	Cottage Grove Peaking Facility Personal Property Exemption	GF	0	0	0	0	0	0
3020	Kleis	2004 A	St. Cloud Area Sales Tax and Liquor and Food Tax	GF	0	0	0	0	0	0
	Pogemiller	2004	DOR Compliance Gap Closure Language	GF	0	0	0	0	0	0
	Pogemiller	2004	School Referenda on Income Base	GF	0	0	0	0	0	0
	Pogemiller	2004	Downtown Golf Dome	GF	0	0	0	0	0	0
	Pogemiller	2004	JOBZ Limits	GF	0	0	0	0	0	0
	Olson	2004	Polo Grounds	GF	0	0	0	0	0	0
	Chaudhary	2004	Employee Status Misrepresentation	GF	0	0	0	0	0	0
	Wiger		RiverCentre Sales Tax Amendment	GF	0	0	0	0	0	0

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2005 Bills to Tax 2										
<u>A List</u>										
176	Saxhaug	A	Aitkin County, City and SD Joint TnT Hearings	GF	0	0	0	0	0	0
344	Stumpf	A	Reimbursement to Local Fire Depts. For Car Fire Costs	GF	0	0	0	0	0	0
812	Gaither	A	Early Payments for E Filed Returns	GF	0	0	0	0	0	0
823	Moua	A	Dept. of Revenue Policy Bill – Selected Sections	GF	0	0	0	0	0	0
833	Sams	A	Ag.Homestead for Grandchildren	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
854	Scheid	A	Brooklyn Park TIF Extension	GF	0	0	0	0	0	0
867	Johnson,Dean	A	Willmar Sales Tax	GF	0	0	0	0	0	0
971	Pogemiller	A	Public Finance Bill	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1002	Anderson	A	Great River Charter School Pay 05 Property Tax Exemption	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1053	Vickerman	A	Nobles Cty., Worthinton, S.D. Joint TnT	GF	0	0	0	0	0	0
1077	Belanger	A	Special Service Districts for Emergency Medical Services	GF	0	0	0	0	0	0
1081	Pogemiller	A	Tax Reduction for Mold Contaminated Homesteads	GF	0	0	0	0	0	0
1087	Moua	A	LGA Technical Fix	GF	0	0	0	0	0	0
1132	Murphy	A	Soil and Water Conservation Districts as Special Taxing Districts	GF	0	0	0	0	0	0
1183	Ruud	A	Non-Commercial Aircraft Hangars	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1256	Bakk	A	W. Lake Superior Sanitary District Bond Authority Increase	GF	0	0	0	0	0	0
1341	Bakk	A	Direct Reduced Ore	GF	0	0	0	0	0	0
1484	Moua	A	St. Paul TIF Subdistricts	GF	0	0	0	0	0	0
1419	Ranum	A	Richfield TIF	GF	0	0	0	0	0	0
1497	Pogemiller	A	Revenue Recapture for Petty Misdemeanors	GF	0	0	0	0	0	0
1605	Kierlin	A	Winona TIF Extension	GF	0	0	0	0	0	0
1683	Pogemiller	A	Exemption for Elderly Living Facilities	GF	0	Negl.	Negl.	Negl.	Negl.	Negl.
1685	Pogemiller	A	MV Reduction for Energy Efficient C/I	GF	0	0	0	0	0	0
										0
										0
<u>B List</u>										
26	Solon	B	Delay State Administration of Duluth Sales Tax	GF	0	0	0	0	0	0
551	Larson	B	Levy Limit Exemption for Animal Shelters	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
1008	Wergin	B	Military Family Tax Relief Act of 2003 Conformity (\$ already in Tax 2)	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
1786	Skoe	B	Short Rotation Crops	GF	0	0	0	0	0	0
<u>C List</u>										
1338	Belanger	C	Use Tax Collections on Income Tax et al	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
1476	Sams	C	LMV in Tax 2—Other Provisions TBD: Income Tax Credits, Sales Tax Ref	GF	(800)	(5,520)	(6,320)	(6,070)	(6,180)	(12,250)
1659	Pogemiller	C	25% Income Tax Credit for Historic Structure Rehab. (in bill at 10%)	GF	(4,100)	(5,500)	(9,600)	(6,400)	(7,400)	(13,800)
<u>D List</u>										
561	Marty	D	Sec. 1, Subd. 1: No New TIF after 5-31-05	GF	0	Unknown	Unknown	Unknown	Unknown	Unknown
<u>E List</u>										
1336	Marty	E	New TIF Prohibition		Unknown	Unknown	Unknown	Unknown	Unknown	Unknown

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
Tax 2 By Revenues and Expenditures										
Revenues/Budget Savings:										
<u>Income Tax</u>										
1624	Marty	B 2004	Disallow Deduction for Corporate Fines, Fees, Expenses (1/1/05)	GF	50	50	100	50	50	100
			Increase Top Rate from 7.85% to 8 Percent	GF	44,300	37,400	81,700	39,200	42,000	81,200
			Interaction Between AMT Changes and Top Rate Increase	GF	13,000	15,000	28,000	17,200	19,500	36,700
			Federal Conformity: Working Families Tax Relief Act	GF	0	90	90	55	45	100
Subtotal Income, Corporate and Federal Conformity					57,350	52,540	109,890	56,505	61,595	118,100
<u>Sales and Special Taxes</u>										
		2004	Reverse Sprint Court Case: Wire,Cable,Fiber, Poles and Conduit Taxable (7/1/05)	GF	1,500	1,560	3,060	1,620	1,690	3,310
			Upfront Tax Payment on Vehicle Leases		18,921	19,749	38,670	5,545	644	6,189
			Tobacco Taxes		2,250	2,700	4,950	2,700	2,700	5,400
			Compliance		5,800	0	5,800	0	0	0
			Payment Shift							
Subtotal Sales and Special Taxes					28,471	24,009	52,480	9,865	5,034	14,899
<u>Property/Aids and Credits</u>										
		2004	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	LMV Provisions: Combined Estimate (Pay 2006)	GF	0	0	0	0	5,550	5,550
Subtotal Property/Aids and Credits					0	0	0	1,440	6,990	8,430
<u>Misc.</u>										
2478	Moua	2004	JOBZ: Prohibit Certain Retail (no updated estimate from DOR)	GF	160	390	550	460	600	1,060
		2004	Rate of 1.26% for Companies Selling Both Property And Casualty (CUNA) 1/1/06	GF	90	240	330	250	250	500
Subtotal Misc.					250	630	880	710	850	1,560
Total Revenues/Budget Savings				GF	86,071	77,179	163,250	68,520	74,469	142,989
Expenditures:										
<u>Income/Franchise/Federal Conformity</u>										
2945	Moua	C 2004	Transit Pass Refunds Replace Employer Credit (1/1/06)	GF	(300)	(1,100)	(1,400)	(1,200)	(1,200)	(2,400)
2655	Dibble	C 2004	Car Sharing Expense Credit (1/1/06)	GF	0	(90)	(90)	(140)	(180)	(320)
2171	Scheid	C 2004	Organ Donation Expenses Subtraction (1/1/05)	GF	(102)	(107)	(209)	(112)	(118)	(230)
2910	Belanger	C 2004	Exempt State Active Service by National Guard (1/1/05)	GF	(42)	(42)	(84)	(42)	(42)	(84)
2008	Wergin	2005	Conform to Military Family Tax Relief Act of 2003	GF	(680)	(330)	(1,010)	(340)	(350)	(690)
753	Ortman	2005	Subtraction for All Active Duty Military Pay (replace NR for out of state) 1/1/05	GF	(960)	(970)	(1,930)	(980)	(990)	(1,970)
2683	Rest	2004 C	AMT: Full Charitable Deduction, Dependent Exemption Deduction, Incre	GF	(34,400)	(40,000)	(74,400)	(46,100)	(52,200)	(98,300)
2702	Ortman	C 2004	K-12 Credit- Remove Family Limit on Maximum Credit (1/1/06)	GF	0	(450)	(450)	(470)	(490)	(960)
1659	Pogemiller	2005 C	10% Income Tax Credit for Historic Structure Rehab	GF	(1,540)	(2,200)	(3,840)	(2,560)	(2,960)	(5,520)
753	Ortman		Working Families Tax Relief Act	GF	(190)	(160)	(350)	(170)	(175)	(345)
			Uniform Definition for Child Care	GF	(80)	0	(80)	0	0	0
			Combat Pay in Earned Income for EIC/WFC	GF	(2,400)	0	(2,400)	0	0	0
			Deduction for Teacher Expenses	GF	(1,310)	0	(1,310)	0	0	0
			Other Provisions	GF						

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09	
			GF	0	(10,000)	(10,000)	0	0	0	
Regional Angel Investment Network										
Subtotal Income, Corporate and Federal Conformity					(42,104)	(55,449)	(97,553)	(52,114)	(58,705)	(110,819)
Sales and Special Taxes										
2654	Stumpf	2004 C	GF	(950)	(1,050)	(2,000)	(1,100)	(1,200)	(2,300)	
Geothermal Equipment Sales Tax Exemption (7/1/05)										
3011	Rosen	2004 B	GF	(610)	(700)	(1,310)	(740)	(780)	(1,520)	
Exemption for Biomass Burning Stoves (7/1/05)										
2850	Sams	2004 C	GF	(450)	(490)	(940)	(490)	0	(490)	
Exemption for Movie and Television Productions (7/1/05)										
	Ortman		GF	(5,470)	0	(5,470)	0	0	0	
Exemption for Public Safety Radio Construction Inputs										
3044	Betzold	C 2004	GF	(4,300)	(4,300)	(8,600)	0	0	0	
Commuter Rail Construction Sales Tax Exemption										
3045	Betzold	C 2004	GF	(20)	0	(20)	0	0	0	
Diesel Fuel Sales Exemption for Commuter Rail										
1703	Solon	C 2004	GF	(200)	0	(200)	0	0	0	
Duluth Personal Rapid Transit Construction Inputs Exempt										
Waste Recovery Facility Exemptions: (7/1/05)										
1956	Kiscaden	C 2004	GF	0	(745)	(745)	(813)	(68)	(881)	
Olmstead County										
	Murphy	C 2004	GF	0	(70)	(70)	(13)	0	(13)	
Red Wing										
	Pogemiller	C 2004	GF	(70)	(190)	(260)	0	0	0	
Mineapolis										
1706	Solon	C 2004	GF	(61)	0	(61)	0	0	0	
Construction Inputs Exemption St. Mary's Hospital Only										
2969	Kubly	2004 A	GF	(800)	0	(800)	0	0	0	
Construction Sales Tax Exemption/Turkey Litter Biomass										
	Stumpf	2004	GF	(350)	0	(350)	0	0	0	
Thief River Falls--retroactive construction exemption for arena										
405	Dibble	2004 B	GF	(16)	(18)	(34)	(20)	0	(20)	
Exempt State and Local Government Fuel-Efficient Vehicles from MV Sales Tax										
848	Kierlin	2005 C	GF	(160)	0	(160)	0	0	0	
Chatfield Wastewater Treatment Plant Construction Inputs Exempt.										
1190	Tomassoni	2005 C	GF	(470)	(1,055)	(1,525)	0	0	0	
Virginia and Hibbing Biomass										
1571	Rest	2005 C	GF	(325)	(795)	(1,120)	(815)	(840)	(1,655)	
Prepared Meats Exemption										
Subtotal Sales and Special Taxes					(14,252)	(9,413)	(23,665)	(3,991)	(2,888)	(6,879)
Property/Aids and Credits										
103	Cohen	2004 C	GF	0	(3,390)	(3,390)	(2,830)	0	(2,830)	
LMV Provisions Combined Estimate (Pay 2006):										
2908	Sams	2004 C	GF	0	0	0	0	0	0	
Permanent Limited Market Value at 2005 Formula										
			GF	0	0	0	0	0	0	
LMV for Class 1c Homestead Resorts: PTR Cost										
Property Tax Refund Provisions:										
2890	Vickerman	2004 B	GF	0	0	0	Negl.	Negl.	Negl.	
A. Wind Energy Conversion System Land Valuation										
B. Exemption for Electric Generating Facilities:										
2532	Murphy	2004 A	GF	0	0	0	(80)	(80)	(160)	
Cannon Falls										
2988	Robling	2004 A	GF	0	0	0	(35)	(35)	(70)	
Shakopee										
2564	Day	2004 A	GF	0	0	0	(13)	(13)	(26)	
Faribault										
2676	Berglin	2004 C	GF	0	0	0	0	(15)	(15)	
Sears Site Biomass										
			GF	0	0	0	0	(30)	(30)	
Poultry Litter Biomass										
C. Valuation Exclusion for:										
2652	Pogemiller	2004 A	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Sewage Treatment System Improvements										
2436	Higgins	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Lead Hazard Reduction										
1081	Pogemiller	2005	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Mold Contaminated Homesteads										
D. Special Valuation Treatment for:										
2958	Hottinger	2004 B	GF	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	
Aggregate Resource Preservation										
322	Sams	2003	GF	0	0	0	Unknown	Unknown	Unknown	
Class 1c Homestead Resorts										
2974	Fischbach	2004 A	GF	0	(7)	(7)	(9)	(11)	(20)	
E. Sauk River Watershed Levy										
2943	Senjum	2004 A	GF	0	(68)	(68)	(68)	(68)	(136)	
F. Rochester TIF District Extended										
971	Pogemiller	2005	GF	0	0	0	(18)	(113)	(131)	
G. Metro Council Transit Bonds										
1242	Moua	2003	GF	0	0	0	(1,320)	(1,400)	(2,720)	
H. 4d Subsidized Apartments Class Rate at .55%										
1667	Saxhaug	2004 C	GF	0	(295)	(295)	(303)	(311)	(614)	
LUP Land Payments at \$3 Per Acre										
			GF	0	0	0	0	(360)	(360)	
Increased Equalization Aid Cost from Debt Service Levies on MV										

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				FY 2006	FY 2007	FY 2006-07	FY 2008	FY 2009	FY 2008-09
955	Langseth	2005	GF	(1,500)	0	(1,500)	0	0	0
779	Skoe	2005 A	GF	0	(42)	(42)	(42)	(42)	(84)
		2005		0	(19)	(19)	(25)	(32)	(57)
Subtotal Property/Aids and Credits				(1,500)	(3,821)	(5,321)	(4,743)	(2,510)	(7,253)
Misc.									
2406	Moua	2004 C	GF	(3,300)	(8,400)	(11,700)	(8,700)	(9,000)	(17,700)
		2005		(25)	0	(25)	0	0	0
Education Reserve				(24,961)	0	(24,961)	0	0	0
		2005		(25)	0	(25)	0	0	0
Subtotal Misc.				(28,311)	(8,400)	(36,711)	(8,700)	(9,000)	(17,700)
Total Expenditures				(66,167)	(77,083)	(163,250)	(69,548)	(73,103)	(142,651)
Balance				(96)	96	0	(1,023)	1,366	338

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 18, line 36, delete "The lending institution"

4 Page 19, delete line 1

5 Page 19, line 2, delete "until exhausted."

6 Page 19, line 6, after "2004" insert ", and before January
7 1, 2007"

8 Page 60, lines 22 and 28, after "2005" insert ", and before
9 July 1, 2007"

10 Page 64, line 31, delete "2005" and insert "2008"

11 Page 67, line 9, delete "\$4,300,000" and insert "\$8,600,000"

12 Page 127, after line 16, insert:

13 "Sec. 22. Minnesota Statutes 2004, section 272.02, is
14 amended by adding a subdivision to read:

15 Subd. 75. [ELECTRIC GENERATION FACILITY; PERSONAL
16 PROPERTY.] (a) Notwithstanding subdivision 9, clause (a),
17 attached machinery and other personal property which is part of
18 a simple-cycle combustion-turbine electric generation facility
19 that exceeds 150 megawatts of installed capacity and that meets
20 the requirements of this subdivision is exempt. At the time of
21 construction, the facility must:

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

23 (2) be owned by an electric generation and transmission
24 cooperative;

25 (3) be located within five miles of parallel existing
26 12-inch and 16-inch natural gas pipelines and a 69-kilovolt
27 high-voltage electric transmission line;

28 (4) be designed to provide peaking, emergency backup, or
29 contingency services;

30 (5) have received a certificate of need under section
31 216B.243 demonstrating demand for its capacity; and

32 (6) have received by resolution the approval from the
33 governing body of the county and township in which the proposed
34 facility is to be located for the exemption of personal property
35 under this subdivision.

36 (b) Construction of the facility must be commenced after

1 July 1, 2005, and before January 1, 2009. Property eligible for
 2 this exemption does not include electric transmission lines and
 3 interconnections or gas pipelines and interconnections
 4 appurtenant to the property or the facility.

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

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

10 Subd. 76. [ELECTRIC GENERATION FACILITY; PERSONAL
 11 PROPERTY.] Notwithstanding subdivision 9, clause (a), attached
 12 machinery and other personal property which is part of an
 13 existing simple-cycle, combustion-turbine electric generation
 14 facility that exceeds 300 megawatts of installed capacity and
 15 that meets the requirements of this subdivision is exempt. At
 16 the time of the construction, the facility must:

- 17 (1) be designed to utilize natural gas as a primary fuel;
- 18 (2) be owned by a public utility as defined in section
 19 216B.02, subdivision 4, and be located at or interconnected with
 20 an existing generating plant of the utility;
- 21 (3) be designed to provide peaking, emergency backup, or
 22 contingency services;
- 23 (4) satisfy a resource need identified in an approved
 24 integrated resource plan filed under section 216B.2422; and
- 25 (5) have received, by resolution, the approval from the
 26 governing body of the county and the city for the exemption of
 27 personal property under this subdivision.

28 Construction of the facility expansion must be commenced
 29 after January 1, 2004, and before January 1, 2005. Property
 30 eligible for this exemption does not include electric
 31 transmission lines and interconnections or gas pipelines and
 32 interconnections appurtenant to the property or the facility.

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

35 Page 241, after line 9, insert:

36 "Sec. 37. [EXTENSION OF DURATION OF TAX INCREMENT

1 DISTRICT.]

2 Subdivision 1. [DURATION.] Notwithstanding the provisions
3 of Minnesota Statutes, section 469.176, subdivision 1b, the
4 duration of riverfront tax increment financing district number
5 2, approved by the port authority of Winona on July 15, 1980, is
6 extended to December 31, 2020. Any tax increment received after
7 December 31, 2005, must be used solely to pay capital and
8 administrative costs of transportation improvements related to
9 the Pelzer Street project.

10 Subd. 2. [EXCEPTION.] The provisions of Minnesota
11 Statutes, section 469.1782, subdivision 2, do not apply to this
12 section.

13 [EFFECTIVE DATE.] This section is effective upon approval
14 by the governing body of the port authority of Winona and
15 compliance with Minnesota Statutes, section 645.021."

16 Page 425, after line 14, insert "DEPARTMENT OF REVENUE"

17 Renumber the sections in sequence and correct the internal
18 references

19 Amend the title accordingly

Belange
A

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Pages 79 to 81, delete sections 32 and 33

4 Pages 100 to 102, delete section 55 and insert:

5 "Sec. 53. [ST. CLOUD AREA CITIES; SALES AND USE TAX
6 AUTHORIZED.]

7 Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a)
8 Notwithstanding Minnesota Statutes, sections 297A.99,
9 subdivision 3, paragraph (d), and 477A.016, or any other
10 provision of law, ordinance, or city charter, the following
11 cities may, by ordinance, impose a sales and use tax of one half
12 of one percent for the purposes specified in subdivision 2:

13 (1) the city of St. Cloud, pursuant to the approval of the
14 city voters at the general election held on November 2, 2004:

15 (2) the city of St. Joseph, pursuant to the approval of the
16 city voters at the general election on November 2, 2004;

17 (3) the city of Waite Park, pursuant to the approval of the
18 city voters at the general election held on November 4, 2003,
19 and any additional approval by the voters of that city at the
20 next general election;

21 (4) the city of Sartell, pursuant to the approval of the
22 city voters at the general election held on November 2, 1999,
23 and any additional approval at the next general election; and

24 (5) the cities of Sauk Rapids and St. Augusta, pursuant to
25 the approval of the voters of that city at the next general
26 election.

27 (b) The provisions of Minnesota Statutes, section 297A.99,
28 except 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 under subdivision 1 must be used for collecting
33 and administering the taxes and to pay all or part of the
34 capital and administrative costs of the acquisition,
35 construction, and improvement of a new regional library located
36 in the city of St. Cloud. Authorized expenses include, but are

1 not limited to, acquiring property, paying construction expenses
2 related to the development of the library, and securing and
3 paying debt service issued to finance construction or
4 improvement of the authorized facility. The total amount that
5 may be spent on this project may not exceed \$30,000,000 plus any
6 debt service costs.

7 (b) If revenues collected from the taxes imposed under
8 subdivision 1 are greater than the amount needed to meet
9 obligations under paragraph (a) in any year, the surplus may be
10 returned to the cities in a manner agreed upon by the
11 participating cities under an applicable joint powers
12 agreement. Cities must use revenues received under this
13 paragraph to fund projects that have been approved by the voters
14 at the referendum authorizing the tax. Authorized expenses
15 include, but are not limited to, acquiring property, paying
16 construction expenses related to the development of the
17 authorized facility, and securing and paying debt service issued
18 to finance construction or improvement of the authorized
19 facility.

20 (c) Notwithstanding any provisions to the contrary
21 contained in a referendum authorizing the imposition of the tax,
22 projects that may be funded from revenues distributed under
23 paragraph (b) are limited to the following:

24 (1) the St. Cloud Regional Airport;
25 (2) regional transportation improvements;
26 (3) community and aquatics centers;
27 (4) regional public libraries; and
28 (5) acquisition and improvement of regional park land,
29 trails, and open space.

30 (d) The cities of Waite Park and Sartell may use revenues
31 from the tax imposed in subdivision 1 to fund the library under
32 paragraph (a) without additional approval by city voters;
33 however, each city must seek approval of its voters to fund any
34 other project not approved by the voters at the referendum held
35 on November 4, 2003, and November 2, 1999, respectively.

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

1 CITIES.] Revenues collected from the taxes authorized by
2 subdivision 1, after paying the cost of collecting and
3 administering the tax, shall be allocated to cities imposing the
4 tax as follows:

5 (1) the first \$900,000 of revenues collected annually,
6 indexed annually to the Consumer Price Index, to the city of St.
7 Cloud for the construction and relocation of a regional library
8 located in the city; and

9 (2) the revenues collected from the taxes imposed under
10 subdivision 1 that exceed the amount needed to meet the
11 obligations under clause (1) in any year shall be returned to
12 the cities pursuant to a joint powers agreement allocating sales
13 tax revenues among the cities.

14 Subd. 4. [CITY BONDING AUTHORIZED.] The city imposing a
15 tax under subdivision 1 may issue general obligation bonds to
16 pay the costs of the projects specified in subdivision 2,
17 pursuant to the approval of the projects by the city voters at
18 the election authorizing the imposition of the tax. The bonds
19 issued for each project are limited to the amount authorized to
20 be spent on the project in the referendum. The debt represented
21 by the bonds must not be included in computing any debt
22 limitations applicable to the city, and the levy of taxes
23 required by Minnesota Statutes, section 475.61, to pay the
24 principal or any interest on the bonds must not be subject to
25 any levy limitations or be included in computing or applying any
26 levy limitation applicable to the city.

27 Subd. 5. [TERMINATION OF TAX.] The tax imposed in a city
28 under subdivision 1 expires when the city council determines
29 that sufficient funds have been collected from the tax to retire
30 or redeem the bonds and obligations authorized under subdivision
31 2, but no later than 17 years after the date the tax is first
32 imposed. Any funds remaining after completion of the projects
33 specified in subdivision 2 and retirement or redemption of the
34 bonds may be placed in the general fund of the city. The tax
35 imposed under subdivision 1 may expire at an earlier time if the
36 city so determines by ordinance.

1 **[EFFECTIVE DATE.]** This section is effective the day after
2 compliance by the governing body of the city with Minnesota
3 Statutes, section 645.021, subdivision 3, for sales and
4 purchases made on and after January 1, 2006."

5 Pages 102 and 103, delete section 57

6 Renumber the sections in sequence and correct the internal
7 references

8 Amend the title accordingly

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Pages ⁷² 73 to 76, delete sections ²⁵ 26 to 29 and insert:

4 "~~Sec. 26. Minnesota Statutes 2004, section 297A.99, is~~
5 ~~amended by adding a subdivision to read:~~

6 Subd. 1a. [GENERAL AUTHORITY; CERTAIN CITIES.] (a) A city,
7 other than a city of the first class, or a group of such cities
8 acting under a joint powers agreement, may impose a local sales
9 tax of one-half of one percent without authorization under a
10 special law provided that:

11 (1) the city or cities are located outside of the
12 metropolitan counties, as defined in section 473.121,
13 subdivision 4;

14 (2) imposition of the tax is approved by the voters of each
15 city pursuant to subdivision 3, paragraph (a); and

16 (3) all the conditions for adoption, use, and termination
17 of the tax contained in this subdivision and subdivisions 3 to
18 12 are met.

19 The authority under this section is in addition to any
20 local sales tax authority permitted under special law.

21 (b) The proceeds of a tax imposed under this subdivision
22 must be dedicated exclusively to pay for specific regional
23 capital projects that provide benefit to persons outside of the
24 city boundaries, as defined in paragraph (c) as well as to the
25 city, and is approved by the voters in the authorizing
26 referendum. No proceeds may be used for normal maintenance or
27 operating costs of a facility. The proceeds may be used to pay
28 for collecting and administering the tax, to pay all or part of
29 the capital and administrative costs of the development,
30 acquisition, construction, expansion, and improvement, and to
31 secure and pay debt service on bonds or other obligations issued
32 to finance capital costs of a regional project including, but
33 not limited to, the following:

34 (1) regional convention or civic center;

35 (2) regional airport;

36 (3) regional public libraries;

1 (4) parks, trails, regional recreational centers, and open
2 space;

3 (5) arts and related educational facilities;

4 (6) lake improvement projects included in a watershed plan;

5 (7) overpasses, arterial and collector roads, or bridges,
6 on, adjacent to, or connecting to a Minnesota state highway;

7 (8) railroad overpasses or crossing safety improvements;

8 (9) flood control and protection; or

9 (10) water quality projects to address groundwater and
10 drinking water pollution problems.

11 (c) A capital project is considered to be a "regional
12 capital project that provides benefits to persons outside the
13 city boundaries" if it meets one of the following criteria:

14 (1) the project is one of the projects listed in paragraph
15 (b), clauses (6) to (10);

16 (2) the project is funded by more than one city under a
17 joint powers agreement and no more than 90 percent of the
18 revenues for the project will be provided by one city;

19 (3) at least ten percent of the direct users of the
20 facility, except for a convention or civic center, will be
21 persons from outside of the city; or

22 (4) at least ten percent of the benefit derived from the
23 project will accrue to persons residing or businesses located
24 outside of the city boundaries.

25 (d) At least three months prior to holding a referendum to
26 impose the tax, a city must provide to the commissioner of
27 revenue a resolution approved by the city that shows that the
28 tax will fund a project that meets the requirements of
29 paragraphs (a) to (c), the date on which the referendum will be
30 held, the maximum amount raised by the tax that may be used for
31 the specified project, excluding issuance and interest costs for
32 any related bonds, and the maximum time that the tax may be
33 imposed. The commissioner shall certify that the requirements
34 under this subdivision are met and the city shall provide any
35 additional information the commissioner requests in order to
36 make that determination. The commissioner's decision is final.

1 (e) The question put to the voters at the referendum
2 authorizing the vote must include information on the specific
3 project or projects to be funded by the proceeds of the tax, the
4 maximum amount of sales tax revenues that will be used to fund
5 each project, not including any issuance and interest costs for
6 related bonds, and the maximum length of time that the tax will
7 be imposed. If the referendum is not held on the date contained
8 in the resolution, the authority for imposing the tax expires.

9 (f) A city may issue general obligation bonds to pay the
10 costs of projects specified in the referendum authorizing
11 imposition of the tax. The approval of the question under
12 paragraph (e) meets the requirement for elector approval for
13 issuance of bonds under section 475.58, subdivision 1. The debt
14 represented by the bonds must not be included in computing any
15 debt limitations applicable to the city, and the levy of taxes
16 required by section 475.61 to pay the principal or any interest
17 on the bonds must not be subject to any levy limitations or be
18 included in computing or applying any levy limitation to the
19 city.

20 (g) The tax, if enacted, expires when the specified revenue
21 has been raised or the maximum time in which the tax is in
22 effect under the resolution is reached, whichever is sooner.
23 Any tax imposed under this subdivision must expire no later than
24 20 years after imposition. The governing board of the city may,
25 by ordinance, terminate the tax at an earlier date.

26 [EFFECTIVE DATE.] This section is effective for local sales
27 taxes for which the authorizing referendum is held after June
28 30, 2004. If the authorizing referendum was held prior to July
29 1, 2005, the three month prior notice to the commissioner
30 contained in paragraph (d) shall not apply, but the commissioner
31 must still certify that all other provisions of this subdivision
32 are met before the tax may be imposed.

33 Sec. 27. Minnesota Statutes 2004, section 297A.99,
34 subdivision 3, is amended to read:

35 Subd. 3. [REQUIREMENTS FOR ADOPTION, USE, TERMINATION.]

36 (a) Imposition of a local sales tax is subject to approval by

1 voters of the political subdivision at a general election.

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.

6 (c) The tax must terminate after the improvement designated
7 under paragraph (b) has been completed.

8 ~~(d) After a sales tax imposed by a political subdivision
9 has expired or been terminated, the political subdivision is
10 prohibited from imposing a local sales tax for a period of one
11 year. Notwithstanding subdivision 13, this paragraph applies to
12 all local sales taxes in effect at the time of or imposed after
13 May 26, 1999.~~

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

15 Renumber the sections in sequence and correct the internal
16 references

17 Amend the title accordingly

Belavog
A

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Pages 106 and 107, delete section 60 and insert:

4 "Sec. 60. [CITY OF WINONA; TAXES AUTHORIZED.]

5 Subdivision 1. [SALES AND USE TAX

6 AUTHORIZED.] Notwithstanding Minnesota Statutes, section
7 477A.016, or any other provision of law, ordinance, or city
8 charter, if approved by the voters pursuant to Minnesota
9 Statutes, section 297A.99, the city of Winona may impose by
10 ordinance a sales and use tax of one-half of one percent for the
11 purposes specified in subdivision 3. The provisions of
12 Minnesota Statutes, section 297A.99, govern the imposition,
13 administration, collection, and enforcement of the tax
14 authorized under this subdivision.

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

23 Subd. 3. [USE OF REVENUES.] Revenues received from the
24 taxes authorized by subdivisions 1 and 2 must be used to pay all
25 or part of the capital costs of transportation, cultural, or
26 library projects located within the city, including securing or
27 paying debt service on bonds issued under subdivision 4, for the
28 transportation, cultural, or library projects and to pay the
29 cost of collecting and administering the tax. Authorized costs
30 include, but are not limited to, acquiring property and paying
31 construction and engineering costs related to the projects.

32 Subd. 4. [BONDS.] The city of Winona, if approved by
33 voters pursuant to Minnesota Statutes, section 297A.99, may
34 issue general obligation bonds of the city, in one or more
35 series, in the aggregate principal amount not to exceed
36 \$20,000,000 to pay capital and administrative costs of the

1 transportation, cultural, or library projects. The debt
 2 represented by the bonds is not included in computing any debt
 3 limitations applicable to the city, and the levy of taxes
 4 required by Minnesota Statutes, section 475.61, to pay the
 5 principal of and interest on the bonds is not subject to any
 6 levy limitation or included in computing or applying any levy
 7 limitation applicable to the city.

8 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
 9 subdivisions 1 and 2 expire at the later of 15 years after the
 10 imposition of the tax or when the Winona city council determines
 11 that sufficient funds have been received from the taxes to
 12 prepay or retire at maturity the principal, interest, and
 13 premium due on any bonds issued for the projects under
 14 subdivision 4. Any funds remaining after expiration of the
 15 taxes and retirement of the bonds may be placed in a capital
 16 project fund of the city. The taxes imposed under subdivisions
 17 1 and 2 may expire at an earlier time if the city so determines
 18 by ordinance.

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

22 Renumber the sections in sequence and correct the internal
 23 references

24 Amend the title accordingly

Skoe (A)

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Pages 81 and 82, delete sections 34 and 35 and insert:

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

6 Subd. 4. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE
7 LIMITATION.] The authority granted by subdivisions 1 and 2 to
8 the city to impose a sales tax and an excise tax shall expire on
9 the earlier of (1) December 31, 2018; (2) when the principal and
10 interest on any bonds or obligations issued to finance
11 construction of Riverfront 2000 and related facilities have been
12 paid; or (3) at an earlier time as the city shall, by ordinance,
13 determine. ~~The total capital, administrative, and operating~~
14 expenditures payable from bond proceeds and revenues received
15 from the taxes authorized by subdivisions 1 and 2, excluding
16 investment earnings on bond proceeds and revenues, shall not
17 exceed \$25,000,000 for Riverfront 2000 and related facilities.

18 [EFFECTIVE DATE.] This section is effective upon compliance
19 by the Mankato City Council with the provisions in section 35
20 and, if required under section 52, approval of the voters at a
21 general or special election."

22 Page 96, after line 30, insert:

23 "Sec. 52. [REVERSE REFERENDUM; CHANGE IN MANKATO SALES TAX
24 EXPIRATION DATE.]

25 For the change in section 34 to be effective, the Mankato
26 City Council must pass a resolution stating that they intend to
27 implement the change in the expiration date of the local sales
28 tax authorized under section 34. The resolution must indicate
29 when the sales tax would expire under the law before any change,
30 and when it will expire under the authorized change in the law.
31 The resolution must be published for two successive weeks in the
32 official newspaper of the city or, if there is no official
33 newspaper, in a newspaper of general circulation in the city,
34 together with a notice fixing a date for a public hearing on the
35 matter. The hearing must be held at least two weeks but no more
36 than four weeks after the first publication of the resolution.

1 Following the public hearing, the city may determine to take no
 2 further action or adopt a resolution confirming its intention to
 3 extend the expiration date of the sales tax. That resolution
 4 must also be published in the official newspaper of the city or,
 5 if there is no official newspaper, in a newspaper of general
 6 circulation in the city. If within 30 days of publication of
 7 the resolution a petition signed by voters equal in number to at
 8 least ten percent of the votes cast in the city in the last
 9 general election requesting a vote on the resolution is filed
 10 with the county, the resolution is not effective until it has
 11 been submitted to the voters at a general or special election
 12 and a majority of votes cast on the question of approving the
 13 resolution are in the affirmative. The commissioner of revenue
 14 shall prepare a suggested form of question to be presented at
 15 the election. The notices, hearing, and any required referendum
 16 must be held before December 31, 2005.

17 Notwithstanding any other law or charter provision, the
 18 taxes imposed under Laws 1991, chapter 291, article 8, section
 19 27, shall not expire before December 31, 2005. However, if the
 20 city has not met the requirements in this section for adopting
 21 the change in the effective date allowed in section 1, the tax
 22 shall expire after December 31, 2005, as soon as is feasible
 23 under Minnesota Statutes, section 297A.99, subdivision 12.

24 **[EFFECTIVE DATE.]** This section is effective the day after
 25 compliance by the city of Mankato with Minnesota Statutes,
 26 section 645.021, subdivision 3."

27 Renumber the sections in sequence and correct the internal
 28 references

29 Amend the title accordingly

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 91, after line 12, insert:

4 "Sec. 48. [CITY OF BAXTER; TAXES AUTHORIZED.]

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, pursuant to
8 the approval of the voters on November 2, 2004, and pursuant to
9 Minnesota Statutes, section 297A.99, the city of Baxter may
10 impose by ordinance a sales and use tax of one-half of one
11 percent for the purposes specified in subdivision 3. The
12 provisions of Minnesota Statutes, section 297A.99, govern the
13 imposition, administration, collection, and enforcement of the
14 tax authorized under this subdivision.

15 Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding
16 Minnesota Statutes, section 477A.016, or any other contrary
17 provision of law, ordinance, or city charter, the city of Baxter
18 may impose by ordinance, for the purposes specified in
19 subdivision 3, an excise tax of up to \$20 per motor vehicle, as
20 defined by ordinance, purchased or acquired from any person
21 engaged within the city in the business of selling motor
22 vehicles at retail.

23 Subd. 3. [USE OF REVENUES.] Revenues received from the
24 taxes authorized by subdivisions 1 and 2 must be used to pay the
25 cost of collecting and administering the tax and to finance the
26 acquisition and betterment of water and waste water facilities,
27 a fire substation, and the Paul Bunyan Bridge over Excelsior
28 Road, as approved by the voters at the referendum authorizing
29 the tax. Authorized costs include, but are not limited to,
30 acquiring property and paying construction, legal, and
31 engineering costs related to the projects.

32 Subd. 4. [BONDS.] The city of Baxter, pursuant to the
33 approval of the voters at the referendum authorizing the
34 imposition of the taxes in this section, may issue general
35 obligation bonds of the city, in one or more series, in the
36 aggregate principal amount not to exceed \$15,000,000 to finance

1 the projects listed in subdivision 3. The debt represented by
2 the bonds is not included in computing any debt limitations
3 applicable to the city, and the levy of taxes required by
4 Minnesota Statutes, section 475.61, to pay the principal of and
5 interest on the bonds is not subject to any levy limitation or
6 included in computing or applying any levy limitation applicable
7 to the city.

8 Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under
9 subdivisions 1 and 2 expire at the earlier of 12 years after the
10 imposition of the tax or when the city council first determines
11 that the amount of revenues raised from the taxes to pay for the
12 projects equals or exceeds \$15,000,000 plus any interest on
13 bonds issued for the projects under subdivision 4. Any funds
14 remaining after expiration of the taxes and retirement of the
15 bonds shall be placed in a capital project fund of the city.
16 The taxes 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 Baxter with
20 Minnesota Statutes, section 645.021, subdivision 3."

21 Renumber the sections in sequence and correct the internal
22 references

23 Amend the title accordingly

03/20/05

[COUNSEL] JZS

SCS1683A-8

McGinn


(A)

- 1 Senator moves to amend the delete-everything
- 2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:
- 3 Page 66, line 25, delete "2007" and insert "2005"

03/20/05

[COUNSEL] JZS

SCS1683A-9

Butzold 

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Pages 284 to 289, delete sections 1 to 9

4 Renumber the sections in sequence and correct the internal
5 references

6 Amend the title accordingly

Steele
A

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 235, after line 33, insert:

4 "Sec. 27. [CITY OF BEMIDJI; DURATION EXTENSION FOR TAX
5 ABATEMENT.]

6 Notwithstanding the limitation in Minnesota Statutes,
7 section 469.1813, subdivision 6, the city of Bemidji may extend
8 the duration of the tax abatement given to support development
9 within the fairgrounds district of the city for an additional
10 four years beyond the duration permitted under that section."

11 Renumber the sections in sequence and correct the internal
12 references

13 Amend the title accordingly

Tomassoni

N/A

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 196, after line 12, insert:

4 "Sec. 60. Minnesota Statutes 2004, section 477A.013,
5 subdivision 8, is amended to read:

6 Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and
7 subsequent years, the formula aid for a city is equal to the
8 need increase percentage multiplied by the difference between
9 (1) the city's revenue need multiplied by its population, and
10 (2) ~~the sum of~~ the city's net tax capacity multiplied by the tax
11 effort rate, ~~and the taconite aids under sections 298.28 and~~
12 ~~298.282, multiplied by the following percentages:~~

- 13 ~~(i) zero percent for aids payable in 2004;~~
- 14 ~~(ii) 25 percent for aids payable in 2005;~~
- 15 ~~(iii) 50 percent for aids payable in 2006;~~
- 16 ~~(iv) 75 percent for aids payable in 2007; and~~
- 17 ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

18 No city may have a formula aid amount less than zero. The need
19 increase percentage must be the same for all cities.

20 The applicable need increase percentage must be calculated
21 by the Department of Revenue so that the total of the aid under
22 subdivision 9 equals the total amount available for aid under
23 section 477A.03 after the subtraction under section 477A.014,
24 subdivisions 4 and 5.

25 [EFFECTIVE DATE.] This section is effective for aids
26 payable in 2006 and thereafter."

27 Renumber the sections in sequence and correct the internal
28 references

29 Amend the title accordingly

made 

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 315, after line 8, insert:

4 "Sec. 6. Minnesota Statutes 2004, section 289A.60,
5 subdivision 6, is amended to read:

6 Subd. 6. [PENALTY FOR FALSE OR FRAUDULENT RETURN,
7 EVASION.] If a person files a false or fraudulent return, or
8 claim for refund or attempts in any manner to evade or defeat a
9 tax or payment of tax, there is imposed on the person a penalty
10 equal to the sum of (1) 50 percent of the tax, less amounts paid
11 by the person on the basis of the false or fraudulent return,
12 due for the period to which the return related and (2) 50
13 percent of the portion of any refund claimed that is
14 attributable to fraud.

15 [EFFECTIVE DATE.] This section is effective for returns
16 filed after December 31, 2005.

17 Sec. 7. Minnesota Statutes 2004, section 289A.60,
18 subdivision 12, is amended to read:

19 Subd. 12. [PENALTIES RELATING TO PROPERTY TAX REFUNDS.]

20 ~~(a) If the commissioner determines that a property tax refund~~
21 ~~claim is or was excessive and was filed with fraudulent intent,~~
22 ~~the claim must be disallowed in full. If the claim has been~~
23 ~~paid, the amount disallowed may be recovered by assessment and~~
24 ~~collection.~~

25 ~~(b)~~ If it is determined that a property tax refund claim is
26 excessive and was negligently prepared, ten percent of the
27 corrected claim must be disallowed. If the claim has been paid,
28 the amount disallowed must be recovered by assessment and
29 collection.

30 ~~(e)~~ (b) An owner who without reasonable cause fails to give
31 a certificate of rent constituting property tax to a renter, as
32 required by section 290A.19, paragraph (a), is liable to the
33 commissioner for a penalty of \$100 for each failure.

34 ~~(d)~~ (c) If the owner or managing agent knowingly gives rent
35 certificates that report total rent constituting property taxes
36 in excess of the amount of actual rent constituting property

1 taxes paid on the rented part of a property, the owner or
2 managing agent is liable for a penalty equal to the greater of
3 (1) \$100 or (2) 50 percent of the excess that is reported. An
4 overstatement of rent constituting property taxes is presumed to
5 be knowingly made if it exceeds by ten percent or more the
6 actual rent constituting property taxes.

7 [EFFECTIVE DATE.] This section is effective for returns
8 filed after December 31, 2005."

9 Renumber the sections in sequence and correct the internal
10 references

11 Amend the title accordingly

03/21/05

[COUNSEL] JZS

SCS1683A15

ORTMAN
A

- 1 Senator moves to amend the delete-everything
- 2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:
- 3 Page 250, line 3, after "so" insert "and notice has been
- 4 provided to the property owner as provided in subdivision 1"

Skoe
A

1 Senator moves to amend the delete-everything
2 amendment (SCS1683A-1) to S.F. No. 1683 as follows:

3 Page 15, after line 17, insert:

4 "Sec. 10. Minnesota Statutes 2004, section 290.06, is
5 amended by adding a subdivision to read:

6 Subd. 34. [REGIONAL INVESTMENT CREDIT.] (a) A credit is
7 allowed against the tax imposed by this chapter for investment
8 in a qualifying regional angel investment network fund. The
9 credit equals 25 percent of the taxpayer's investment made in
10 the fund for the taxable year, but not to exceed the lesser of:

11 (1) the liability for tax under this chapter; or

12 (2) the amount of the certificate under paragraph (c)
13 provided to the taxpayer by the fund.

14 (b) For purposes of this subdivision, a regional angel
15 investment network fund means a pool investment fund that:

16 (1) is organized as a limited liability company and
17 consists of members who are accredited investors within the
18 meaning of Regulation D of the Securities and Exchange
19 Commission, Code of Federal Regulations, title 17, section
20 230.501(a); and

21 (2) primarily makes equity investments in emerging and
22 expanding small businesses as defined by the Small Business
23 Administration, or cooperative associations as defined in
24 chapter 308B, that are located in local communities in Minnesota
25 outside of the metropolitan area as defined in section 473.121,
26 subdivision 2, and does not make investments in residential real
27 estate.

28 (c) Regional angel investment network funds may apply to
29 the commissioner of employment and economic development for
30 certification as a qualifying regional angel investment network
31 fund. The application must be in the form and made under
32 procedures specified by the commissioner of employment and
33 economic development. The commissioner of employment and
34 economic development may certify up to ten qualifying funds and
35 provide certificates entitling investors in the funds to credits
36 under this subdivision of up to \$250,000 for each fund. The

1 commissioner of employment and economic development must not
2 issue a total amount of certificates for all funds of more than
3 \$10,000,000. In awarding certificates under this paragraph, the
4 commissioner of employment and economic development shall
5 generally award them to qualified applicants in the order in
6 which the applications are received, but shall also seek to
7 certify funds that are broadly dispersed across the entire state
8 outside of the metropolitan area, as defined in section 473.121,
9 subdivision 2.

10 (d) The commissioner of revenue may require a taxpayer to
11 provide a copy of the credit certificate under paragraph (c) to
12 verify the taxpayer's entitlement to a credit under this
13 subdivision.

14 (e) If the amount of the credit under this subdivision for
15 any taxable year exceeds the limitation under paragraph (a),
16 clause (1), the excess is a credit carryover to each of the 15
17 succeeding taxable years. The entire amount of the excess
18 unused credit for the taxable year must be carried first to the
19 earliest of the taxable years to which the credit may be carried
20 and then to each successive year to which the credit may be
21 carried. The amount of the unused credit which may be added
22 under this paragraph may not exceed the taxpayer's liability for
23 tax for the taxable year.

24 [EFFECTIVE DATE.] This section is effective the day
25 following final enactment, for taxable years beginning after
26 December 31, 2005. It applies to investments made after the
27 fund has been certified by the commissioner of employment and
28 economic development."

29 Page 17, after line 1, insert:

30 "Subd. 3. [CARRYBACK AND CARRYFORWARD.] If the amount of
31 the credit under subdivision 2 exceeds the tax liability under
32 this chapter for the year in which the cost is incurred, the
33 amount that exceeds the tax liability may be carried back to any
34 of the three preceding taxable years or carried forward to each
35 of the ten taxable years succeeding the taxable year in which
36 the expense was incurred. The entire amount of the credit must

1 be carried to the earliest taxable year to which the amount may
2 be carried. The unused portion of the credit must be carried to
3 the following taxable year."

4 Page 17, line 2, delete "3" and insert "4"

5 Page 17, line 18, delete "4" and insert "5"

6 Page 17, line 33, delete "5" and insert "6"

7 Page 64, line 31, after "2005" insert ", and terminates
8 when the commissioner of revenue determines that the cost of the
9 exemption under this subdivision to that point in time totals
10 \$20,000"

11 Page 65, line 17, delete ", and before July 1, 2007"

12 Page 66, line 25, delete "2007" and insert "2005, and
13 terminates when the commissioner of revenue determines that the
14 cost of the exemption under this subdivision to that point in
15 time totals \$5,470,000"

16 Page 67, line 28, delete "2008" and insert "2005, and
17 terminates when the commissioner of revenue determines that the
18 cost of the exemption under this subdivision to that point in
19 time totals \$200,000"

20 Pages 122 and 123, delete section 18

21 Page 123, line 28, delete "70" and insert "69"

22 Page 124, line 21, delete "71" and insert "70"

23 Page 125, line 10, delete "72" and insert "71"

24 Page 126, line 4, delete "73" and insert "72"

25 Page 126, line 14, delete "74" and insert "73"

26 Page 203, line 25, after "(b)" insert "\$24,961,000 is
27 appropriated from the general fund to the education reserve
28 account in fiscal year 2006."

29 And further amends the SCS1683A-2 amendment to S.F. No.
30 1683 as follows:

31 Page 1, delete lines 3 to 10

32 Renumber the sections in sequence and correct the internal
33 references

34 Amend the title accordingly

1 moves to amend H. F. No. 660, as follows:
2 ²⁹⁷ delete lines 21-29 and insert:
Page 50, after line 8 insert:

3 "(d) If a lessee's obligation to make payments on a lease
4 is canceled more than 90 days after its execution, a credit is
5 allowed against sales tax or motor vehicles sales tax due on a
6 subsequent lease or purchase of a motor vehicle if that lease or
7 purchase is consummated within 30 days of the date the prior
8 lease was canceled. The amount of the credit shall be equal to
9 (1) the sales tax paid at the inception of the lease, multiplied
10 by (2) the ratio of the number of full months remaining in the
11 lease at the time of termination compared to the term of the
12 lease used in calculating sales tax paid at the inception of the
13 lease."

MINNESOTA ASSOCIATION OF ASSESSING OFFICERS (MAAO)

Position Statement, 2005 Legislative Session
Adopted by the MAAO Executive Board on August 18, 2004

Mission Statement

MAAO serves as an organization to promote education, accreditation and professionalism in the area of ad valorem assessment administration.

1. MAAO supports the production of high quality annual assessments.
2. MAAO supports the principle of ad valorem taxation - taxation based on market value, as a major component of a diverse tax system, for the following reasons:
 - It is based upon a fair and equitable base.
 - It is a reliable, local source of revenue for taxing authorities.
 - It is accountable and justifiable with sales of similar properties.
 - It is understandable to taxpayers, who can be provided with comparable sales information.
 - a) MAAO believes adjustments to market value, such as limitations on assessor's estimated market values, acquisition values or deferments or exemptions, creates inequities between taxpayers.
 - b) Good tax policy treats all taxpayers in a consistent manner. MAAO opposes classifications or programs that target a small number of taxpayers.
 - c) MAAO encourages the continued use of state administered programs, such as the property tax refund program, special targeting refunds, the income tax system, etc., if policy makers wish to grant additional tax relief to certain taxpayers.
 - d) MAAO supports policies and practices that coincide with commonly accepted appraisal and assessment practices.

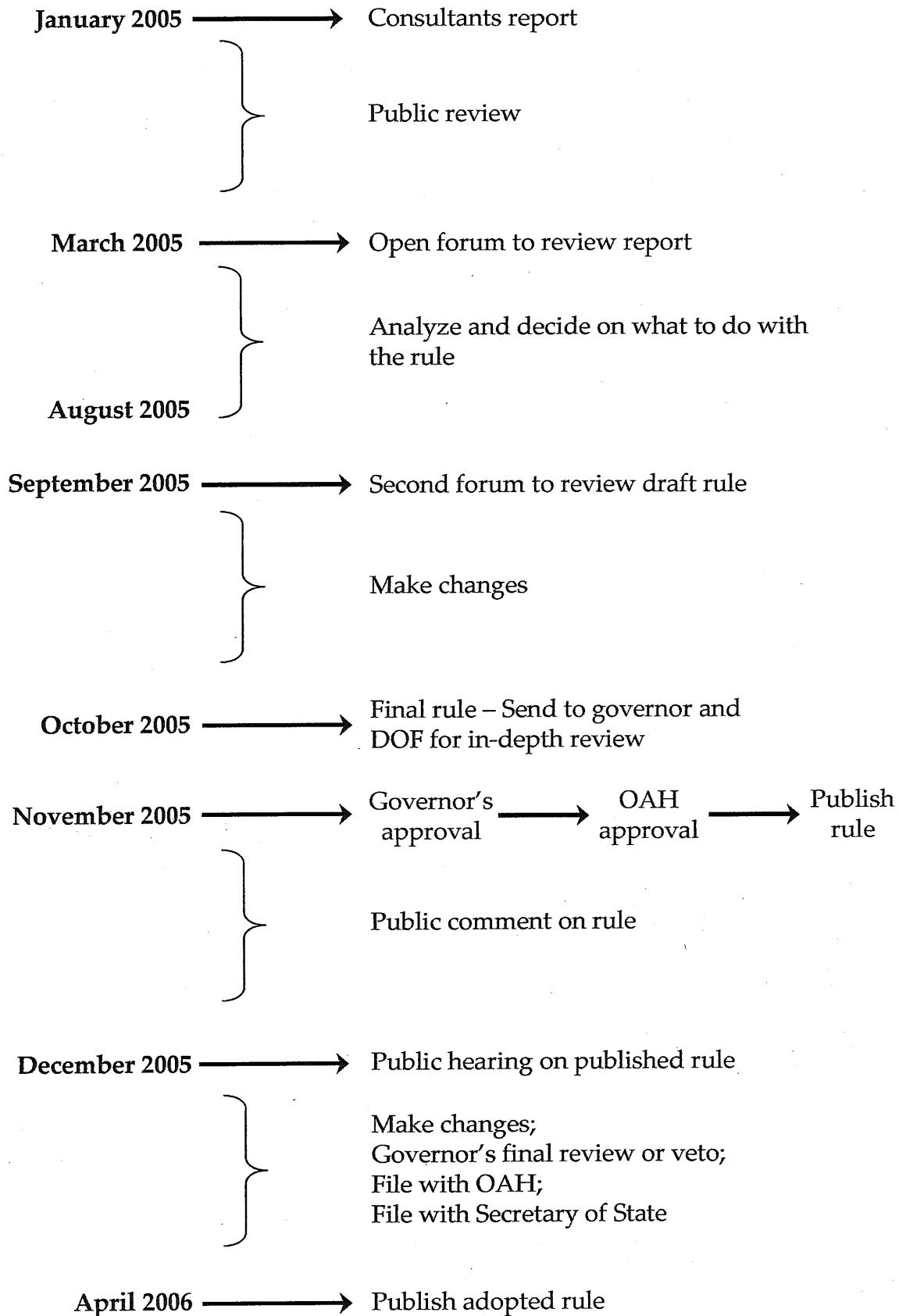
MAAO Position Statement 2004

Continued

3. MAAO supports efforts to make the classification system more understandable by the continued consolidation of existing classes and avoiding the creation of new classes. We do so for the following reasons:
 - Easier for taxpayers to understand.
 - Streamline administration costs to local governments.
 - The tiered classification system increases complexity and produces unexpected property tax consequences.
 - a) MAAO supports a change to consolidate agricultural land and buildings (excluding house, garage and one acre) into one property class with a singular classification rate, no differential between Homestead and Non-Homestead for agricultural property.
 - Dynamic changes to the qualifications for agricultural homestead have added to the complexity of administration of the agricultural homestead classification and confusion on the part of taxpayers.
4. MAAO supports a taxpayer appeal process that encourages timely and open communication between taxpayers and assessors.
5. MAAO suggests that new state mandated programs be funded by the state.

Footnote: Additional references may be made by reading , "*Standard on Property Tax Policy*", IAAO, August 1997.

Estimated timeline for utility rules process



COMMITTEE REPORT - WITH AMENDMENTS

Committee on TAXES

S.F. No. 1683

Resolution

Re-referred (from another committee)

Amendments:

SCS1683A-1 - delete all amend.

- A-15 • Tech. amend. p 203, Line 11
- A-10 delete "12" insert "10"
- A-9
- A-8 A-2
- A-3 A-20 (as amended)
- A-7 • p 257, Line 34 after "town"
- A-14 insert "." delete everything after
- A-5 • a line 35.
- A-4 (as amended) • A-16
- A-6 (as amended) • p 63, line 36 after "2005"

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 _____ (re-referred to the Committee on _____)

OR _____ (reported to the Senate).

3/2/05 (date of committee recommendation)

1 Senator Pogemiller from the Committee on Taxes, to which
2 was referred

3 S.F. No. 1683: A bill for an act relating to taxation;
4 providing that certain elderly living facilities are exempt from
5 the property tax; amending Minnesota Statutes 2004, section
6 272.02, by adding a subdivision.

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

9 Delete everything after the enacting clause and insert:

10 "ARTICLE 1

11 INCOME TAX

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

14 Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The
15 limitations of time provided by this chapter, chapter 290
16 relating to income taxes, chapter 271 relating to the Tax Court
17 for filing returns, paying taxes, claiming refunds, commencing
18 action thereon, appealing to the Tax Court from orders relating
19 to income taxes, and the filing of petitions under chapter 278
20 that would otherwise be due ~~May 15, 1996~~ May 1, 2004, and
21 appealing to the Supreme Court from decisions of the Tax Court
22 relating to income taxes are extended, as provided in section
23 7508 of the Internal Revenue Code.

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

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

31 (2) in the case of an individual whose active service
32 includes service abroad, the period of initial service plus six
33 months.

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

36 (c) If an individual entitled to the benefit of paragraph
37 (a) files a return during the period disregarded under paragraph
38 (a), interest must be paid on an overpayment or refundable

1 subdivision 2, as amended; Laws 1998, chapter 389, article 8,
2 section 43, subdivision 3; Laws 1998, chapter 389, article 8,
3 section 43, subdivision 4; Laws 1998, chapter 389, article 11,
4 section 19, subdivision 3; Laws 1999, chapter 243, article 4,
5 section 18, subdivision 1; Laws 1999, chapter 243, article 4,
6 section 18, subdivision 3; Laws 1999, chapter 243, article 4,
7 section 18, subdivision 4; Laws 2001, First Special Session
8 chapter 5, article 3, section 8; Laws 2001, First Special
9 Session chapter 5, article 12, section 67; Laws 2001, First
10 Special Session chapter 5, article 12, section 82, as amended;
11 Laws 2001, First Special Session chapter 5, article 12, section
12 95; Laws 2002, chapter 377, article 3, section 4; Laws 2002,
13 chapter 377, article 12, section 16, subdivision 1; Laws 2003,
14 chapter 127, article 5, section 27; Laws 2003, chapter 127,
15 article 5, section 28; Laws 2003, chapter 127, article 12,
16 section 38; Laws 2003, First Special Session chapter 21, article
17 4, section 12, subdivision 11; Laws 2003, First Special Session
18 chapter 21, article 5, section 13; Laws 2003, First Special
19 Session chapter 21, article 6, section 9; proposing coding for
20 new law in Minnesota Statutes, chapters 103C; 174; 270; 273;
21 278; 290; 290C; 297A; 297F; 298; 325D; 325F; 473; repealing
22 Minnesota Statutes 2004, sections 273.19, subdivision 5; 274.05;
23 275.15; 275.61, subdivision 2; 283.07; 289A.26, subdivision 2a;
24 289A.60, subdivision 21; 295.55, subdivision 4; 295.60,
25 subdivision 4; 297A.99, subdivision 13; 297E.12, subdivision 10;
26 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.35,
27 subdivision 2; 297I.85, subdivision 7; 298.01, subdivisions 3c,
28 3d, 4d, 4e; 298.017; 473.39, subdivision 1f; Laws 1975, chapter
29 287, section 5; Laws 1994, chapter 587, article 9, section 20,
30 subdivision 4; Laws 2003, chapter 127, article 9, section 9,
31 subdivision 4; repealing Minnesota Rules, parts 8093.2000;
32 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6;
33 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900;
34 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200,
35 subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart
36 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800,
37 subpart 4."

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

Lawrence J. ...
.....
(Committee Chair)

40
41
42
43
44

March 21, 2005.....
(Date of Committee recommendation)